RBR TVBR Radio & Television Business Report

May 2005

Voice of the Broadcasting Industry

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Radio's New Business Leader...
Hits the Street Running!
Last year, Interep invested in business development training for our entire sales team, designed to create new revenue and drive share of transactional dollars for our client radio stations.
The results? An increasing share of radio dollars for our clients. Over 1,000 calls with upper-level media decision-makers. $72 million in new radio dollars in 2004.
And this year, once again, we've HIT THE STREET RUNNING.
10x10
10% RADIO AD SHARE BY 2010
Over $20 Million New Radio Dollars Developed in First Quarter 2005
Interep is proud to bring our clients - and the entire radio industry - closer to our 10x10 goal - a 10% share of ad dollars by 2010
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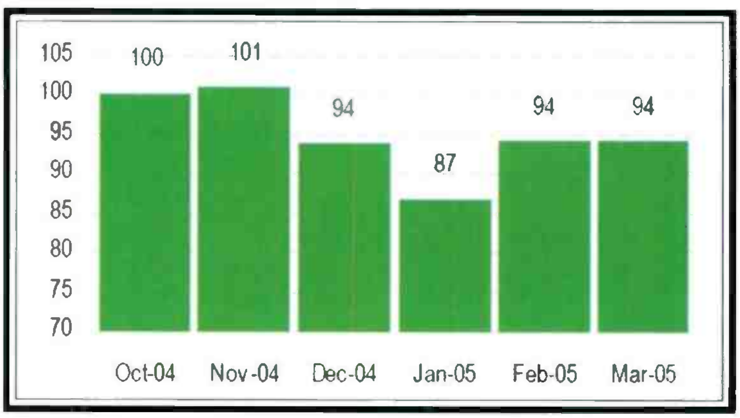
"Less is More" holding; pricing improving

Harris Nesbitt analyst **Lee Westerfield** says a shortage of 60-second spot inventory is developing because of Clear Channel Radio's "Less is More" initiative, which has more use of 30-second spots as one of its goals. Even so, Westerfield says that upward pressure on unit pricing doesn't mean that ad demand is really improving—although some groups such as Entercom, Cumulus, Emmis and Beasley may get a windfall from it. His monthly tracking shows that ad airtime in the top 10 markets was down 4.3% in March. "'Less is More' is working," Westerfield said. "With Clear Channel leading the way to the tune of a 19% reduction, overall spotloads have decreased 4% across the top markets. Certain groups, namely Beasley (down 13.5%), Salem (down 17.8%) and Radio One (down 10.7%) have followed the lead relatively consistently," he added. The analyst also noted that the percentage of commercial time devoted to :30s has increased 41% from a year ago, with Clear Channel's airing of 30-second spots up 154%.



Anonymous VNRs shot down in the Senate

Amendment: "Unless otherwise authorized by existing law, none of the funds provided in this act or any other act may be used by a federal agency to produce any prepackaged news story unless the story includes a clear notification within the text or audio of the prepackaged news story that the prepackaged news story was prepared or funded by that federal agency." For: 98. Against: 0.

The amendment, sponsored by Sen. **Robert Byrd** (D-WV) was attached to a supplemental spending bill. Noting existing statute, Byrd said, "Yet, despite the law, the Congress and the American people continue to hear about propaganda efforts by Executive Branch agencies." Byrd cited several incidents of alleged propaganda, including the **Armstong Williams** incident and use of VNRs. He noted the FCC's reminder to broadcasters to properly identify VNR producers, and said Congress should make the rules equally clear for federal agencies.

Passage of the amendment would appear to head off attempts to consider similar legislation in the Senate Commerce Committee, an effort inititated by a quarter of Democrats including **John Kerry** (D-MA), **Frank Lautenberg** (D-NJ), **Byron Dorgan** (D-ND) and **Barbara Boxer** (D-CA).

President **George W. Bush** addressed the topic himself in an appearance with the American Society of Newspaper Editors. He agreed that proper sourcing was a must, but laid the onus on those airing the VNRs, not those producing them.

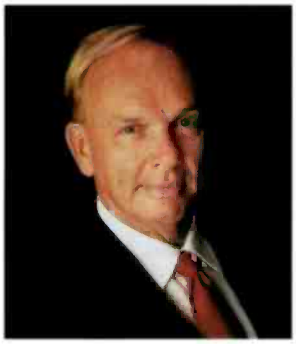
Telecom overhaul in the works

Sen. **Ted Stevens** (R-AK), head of the Senate Commerce Committee, said some time back that it was time to take a fresh look at the Telecommunications Act, which bears the almost quaint suffix of 1996, a reference to the year of its enactment. His sentiments have been echoed by his counterpart in the House, Rep. **Joe Barton** (R-TX).

Telecom 1996 covered an extremely wide range of issues—it pretty much runs the gamut of industries under the purview of the FCC. It is thought that the most out of date elements of the Act come under the headings of Internet delivery. The biggest fight will probably be between cable and telephone interests. However, the entire package will be on the table, and that includes elements of interest to broadcasters.

RBR observation: To say that the new rules ushered in by Telecom 1996 were dramatic would be a gross understatement. We were watching at the time, and can say that nobody - - and we mean nobody - - was predicting that local radio clusters of up to eight stations was coming, and that the national radio station ownership ceiling was going bye-bye in its entirety. Broadcast television has been waiting for its turn for deregulation ever since - - that was the major thrust of the stalled FCC ownership action of 6/2/03. Perhaps legislators will exercise an element of caution this time around - - we've heard time and time again, from people of all ideological stripes, that the dramatic and unprecedented growth of Clear Channel was an unintended consequence of the 1996 Act. Will they be more on the lookout for new unintended consequences? All we can say is that it's time to strap in, folks.

Now, everybody wants to buy Paxson



Bud Paxson

Bud Paxson is facing significant difficulties at Paxson Communications. Relations with equity investor NBC have been sour for several years, the FCC turned down the idea of must-carry for all of a TV station's digital channels (which would have greatly enhanced the value of Paxson's licenses) and ratings have been dismal for the family-friendly fare on the Pax network. Even so, it appears that Bud's fortunes are now turning.

After Paxson Communications dismissed its investment bankers, Bear Stearns and Citigroup, who'd not managed to bring an acceptable buyout or investment bid to the table in two years of trying, it seems that people are now lining up to bid for Paxson. First, comedian/entertainer/producer/entrepreneur **Byron Allen** disclosed that he was working with Credit Suisse First Boston and some private equity firms to raise money in an effort to buy out Paxson Communications and turn it into the first broadcast TV network aimed at the African-American audience. Then, the *New York Post* reported that **Jeff Kwatinetz**'s Hollywood talent agency, The Firm, is also trying to line up financing to buy Paxson. The problem with both of those bidders is that, as far as RBR/TVBR can determine, they don't actually have the $2.2 billion plus in place to make a formal bid. Not so of two other, as yet unidentified groups, which we're told have approached Paxson with potential bids—bids with real cash behind them. One of those also wants to create an African-American network, but is not associated with Allen's group.

TVBR observation: It's by no means certain that the company will be sold. Now that Paxson has cut staff and is ending its local JSAs, management is working on a new structure that will get the company out of producing any programming of its own, generate substantial cash flow, and provide a way to refinance the company's debt. No, it won't be all infomercials—that would violate Paxson's contracts with cable systems - - so it looks like the company will become more of a time broker—leasing airtime (and its valuable cable clearances) to program producers willing to pay their own way and sell their own ads.

Washington should stay out of broadcast ratings

We can't imagine why **Rupert Murdoch** thinks he, or any other broadcaster, would be better off by having the federal government regulate broadcast ratings. For that matter, Sen. Conrad Burns (R-MT) is a former broadcaster, so you'd think he would have more sense. But no, they are the two people pushing the hardest to inject the Washington bureaucracy into broadcast ratings—and Nielsen's Local People Meters (LPMs), in particular. They are horribly wrong and must be stopped.

If you've ever had any dealings with the Federal Communications Commission (and most of our readers have), you know what it is like to deal with Washington bureaucrats. In recent years we've witnessed the long, drawn out and convoluted effort to rewrite the FCC's ownership rules for radio, TV and other media—a process that has been to court once and is now back at the FCC, with no end in sight. Would you want to see a similar process anytime Nielsen or Arbitron came up with a proposed new technology, tech upgrade or methodology enhancement? Would you want to wait years while the Federal Bureau of Broadcast Ratings weighed whether or not to allow Arbitron to add cell phone-only households to its audience sample? Or for Nielsen to be allowed to add Active/Passive technology to its meters to deal with time-shifted viewing from DVRs?

And then there's the cost. If you think having the feds involved will be cheap, we've got some oceanfront property you might want to buy—sight unseen—in Kansas. One need only to look at the Sarbanes-Oxley law on financial reporting by public companies to see how well-intentioned legislation can have the unintended consequence of forcing businesses to make huge expenditures with no return for their shareholders or the public. Sarbanes-Oxley is so costly that many smaller companies are trying to figure out how to go private because the compliance costs have taken them from net earnings to net losses. Federal regulation of broadcast ratings would add costs that would be felt most by small broadcasters—probably forcing even more of them to decide that they will have to get by without Arbitron or Nielsen.

Rupert Murdoch

If Murdoch thinks LPMs undercount his stations' audiences, he should do what others who have the same complaint are doing—work with Nielsen to identify the problems and fix them. Since the US government has no experience whatsoever in broadcast ratings, it's unlikely that any federal bureaucrat is going to wave a magic wand that will suddenly resolve all of the problems that anyone has with how their station does in the LPM ratings. More likely, they will just add more complications and make more station owners even more dissatisfied. Be careful what you ask for, Rupert.

As we noted when this bad idea first surfaced last year Nielsen/Arbitron ratings are not federal elections and they do not carry any government sanction. The government should not be auditing Nielsen, Arbitron, Gallup, Harris or anyone else who surveys the American public for any reason.

Federal Trade Commission Chairman Deborah Platt Majoras had it right when she told Members of Congress that her agency had no authority to oversee how Nielsen conducts its TV ratings. We think it should stay that way. If you missed it, Zinio readers can read her entire letter here.

GM TALKBACK

By Carl Marcucci / cmarcucci@rbr.com

What is the biggest challenge you face in your local market?

Joe Young, VP/General Manager,
Tribune Broadcasting's KDAF-TV Dallas (WB)
One of the greatest threats to our local broadcast survival is Nielsen's inability to measure viewing in households that are under 35 years old. In essence, they are finding it difficult to get cooperation—whether it is through their new local people meter service, or their current regular meter technology and diaries. They felt, that the early adopters could be found through this new technology of local people meter service. And what's happening is they're not getting the cooperation.

It's broadcast stations that pay the largest fees, and what's happening now is our advertisers are not getting an accurate picture of what's going on in viewing. And that is a tremendous threat. That hurts the Foxs, the WBs and the UPNs.

Their current ability to measure has also not kept up with the technological advancement. They couldn't measure households that were middle to upper income, which had all these current technologies—TiVos, DVRs, the plasma screens—because the homes that contained the new software to schedule their own viewing, Nielsen was pulling these homes out of samples across the country. And thus, they were eliminating a very important segment out of the population that our advertisers are trying to reach. And they can't measure them until they install their A/P meters.

[See Nielsen CEO Susan Whiting's plans for that in our One on One interview, page 18.]

Rich Engberg, VP/General Manager,
Tribune Broadcasting's WBZL-TV Miami (WB)
The biggest challenge is getting accurate audience measurement of the under 35 viewers with Nielsen. They over-report the 55+ audience and they underreport the under 35. It's caused by a bad return rate. They added more diaries, an additional 2,400 diaries into the February book, which helped the return rates. But even getting a good meter sample base, looking at the under 35, it always remains a top priority for Nielsen on a weekly basis with the meters.

We're a very diverse and active market, which creates challenges for Nielsen. But in the same light, we are paying for them to correctly monitor the marketplace. And if you're having areas of the viewing audience underreported and also areas over 55 over-reported, the measurement is not accurate.

So in our sales efforts we talk to advertisers about what's taking place in the market—the accuracy of the marketplace—and we let them make their choices. But we inform them of what's going on with the under 35—how hard it is to measure, how hard it is for them to accurately look at the marketplace. But most importantly, if you're not getting accurate measurement, how can you be accurately buying the marketplace? So you can put together an accurate television buy that reaches your core customer—it's about creating results for our core customers, but in the same light, we also want to be measured properly so we can compete effectively.

Bob DelGiorno, Jr., Cluster AE, Entercom New Orleans
The biggest challenge I face in the local market is getting high enough rates to clear all my advertisers commercials and to reach my goals without missing out on the business all together.

Rick Jackson, VP/General Manager
Jefferson-Pilot/Charlotte, NC
The short answer is this; our biggest challenge has been—and continues to be—moving our station's clients, buyers and agencies toward a results-oriented purchase and away from transactional buying habits. In other words, helping them to understand the value (to their business and/or client) of buying a station for it's ability to produce results instead of buying a station based on a more traditional ratings scale or a cost-per-point method.

To progress in coming years, radio will need to innovate at every level and that includes radio sales. As we move away from the "music box" sponge radio has so effectively squeezed these many years, and move toward more innovative programming, the sales staff will also need to reposition themselves. TV has certainly experienced change in programming and sales - just ask anyone who works for cable these days. They're having a lot of fun and tremendous success with their "niche" innovations. We boast that they learned it from us (radio) and some of that is true but it's time for radio to take it to the next level.

Not surprisingly, I think our most effective innovations will start by downsizing our scope. Broadcast TV moved from three networks in the 1960's to 800 channels in the new millennium. Radio will continue to niche and splinter and the smart operators will see this as an opportunity to adjust and prosper. Here in Charlotte, we're doing just that and so far, so good. Neither of our stations is ranked particularly high in the most sought-after ratings. At this writing, Adults 25-54, WBT ranks 7th and WLNK ranks 11th. Those are disastrous numbers for a transactional, numbers based sales organization. But WBT ranks 2nd in billing and WLNK ranks 3rd in the latest figures from Miller Kaplan in Charlotte. Why? Our sales team is effectively working with clients - some traditional buyers and agencies and many "untraditional" clients - who buy our stations because they want results - not numbers. These clients run a schedule, get results, and buy again. For clients who can measure results, our stations have true value.

Much of the value comes from the product. Radio can't produce the same kind of results with "background," music-based programming. We have two, foreground, talk radio stations and this kind of radio functions much differently for the listener and our clients.

ARBITRON

Pierre C. Bouvard
President
Portable People Meter and International
pierre.bouvard@arbitron.com

An Open Letter to the Media Industry:

With the Houston demonstration of our Portable People Meter (PPM℠) service now under way, I wanted to share Arbitron's vision for electronic measurement and preview some of the coming insights.

PPM is a high-definition, continuous, passive, electronic measurement system. In a few weeks, 2,100 consumers in Houston—age 6 and above—will be carrying the PPM, and we'll be tracking their daily exposure to radio and television, as well as their visits to selected stores, sporting events and even the movies. More than 100 media outlets, including radio, broadcast TV and cable TV, are participating.

PPM provides advertisers with credible measures for improved ROI and accountability: Advertisers are under intense pressure, from investors and within, to ensure they're making good advertising decisions and getting a sufficient return on investment. At a recent Advertising Research Foundation meeting, Mark Kaline, media manager, Ford Motor Company, said, "Clients have entered the age of accountability...at Ford, marketing is looked at as an expense, and we are under attack to prove our worth." Credible audience research is a vital component of accountability.

National advertisers require faster feedback on their campaigns: Imagine if you bought a stock and had to wait four months first to see how your investment performed. Today, national advertisers have to wait that long for a survey to be released to see what kind of audience their campaign delivered. The PPM dramatically compresses the time window between when audiences are exposed to ads and when the results are available.

The New York Times Magazine recently published a thorough report on technological advances in audience measurement, including the PPM. The views expressed by agencies and advertisers in the article reinforce our efforts to deliver enhanced audience measurement. If you haven't had a chance to see the article, you can read it from our Web site at www.arbitron.com.

Exciting times ahead: We all have a great deal to look forward to this fall when we begin to delve into the PPM data from Houston. You'll be hearing more from me in the near future. We'll have a lot to discuss and explore together!

Sincerely,

Pierre Bouvard

Pierre Bouvard

Arbitron Inc. 142 West 57th Street • New York, NY 10019-3300 • www.arbitron.com

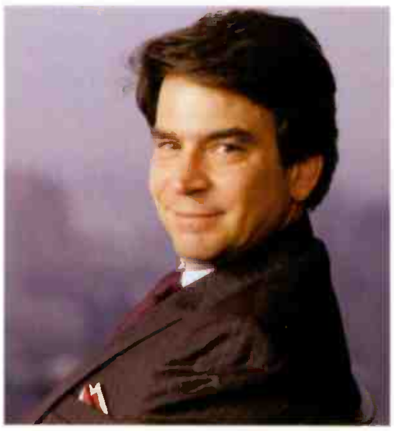
05-PPM-836

By Carl Marcucci / cmarcucci@rbr.com

Buyers and sellers examine the upfront

Every year about this time we read in the trades—and major newspapers—about annual TV upfront complaints, gripes and general belly-aching. Add to that a healthy dose of posturing from both sides of the conference table and you've got the usual headlines. Instead of going that same route, we thought we'd drill down a bit deeper into the issues that affect the upfront process. We asked the experts to comment on what the industry faces this year in the 2005-2006 upfront, as well as leading into the 2006-2007 upfront.

While admitting that this upfront is likely to be "not dissimilar" from years past, **David Verklin**, Carat Americas CEO, tells us he thinks this one may go down in history as the last "normal upfront." Why? "PVR penetration, in my opinion [we also examine later], by May of next year, will be approaching 20%. Now if I'm wrong, then it will be 2007. But the rubber is going to meet the road, the way our Carat Digital people and I are tracking it. If that's the case, then we begin to have advertisers and agencies questioning, 'What's primetime, if 20% of America can watch what they want to watch, when they want to watch it and speed through the commercials?' This is sort of the calm before the storm. I don't know what it was like on Dec. 5th 1942 in Pearl Harbor, probably a calm day. In a sense, that's what I think this industry is facing."



David Verklin

PHD EVP/National Broadcast **Harry Keeshan** says the highlights continue to be the value of television and the networks' ability to prove it: "And I'm not just talking about broadcast TV, I'm talking about cable and syndication too because there is so much testing of new media opportunities out there that I think that the opportunity is there for the guys in the business to help us find a way to reach the consumer more on a one-to-one basis. And it's not going to happen this year, but it's a gradual transition of what we need to do—to prevent a wholesale shifting of money into new media ideas. I think we can get there because you have holding companies like Comcast and Time-Warner, and content providers like ESPN and MTV. We've all got to work together to find a way to make us smarter marketers."

Ray Warren

What's the biggest threat to upfront dollars this year? The continuing vacuum of information, OMD USA Managing Director **Ray Warren** contends. "We're still not getting anything back other than, 'Here's how many people we think watched the commercial.' I think we all have to work harder to get some return information. [However,] It's hard to measure and it's very expensive to go out and start counting activity based on somebody seeing a commercial."

Adds Verklin: "The biggest threat to the upfront is the strategic planning proposition that the more components used in the media mix, the greater effectiveness. Our Marketing Management Analytics division has proven this through data. From media plans five years ago that were two thirds television, you're now seeing 50% TV (percentage of budgets)."

Ira Berger, Director of National Broadcast, The Richards Group, says pricing, program mix and integration fees are three threats from the start. "Yes, things are changing at an increasingly rapid rate, and, yes, we're living in a somewhat chaotic time of new technologies, new programming, new pricing, and a ton of other uncertainties. But that's just part of the job."

Needless to say, the TV upfront is important to radio as well. Says Dial-Global Co-President/CEO **David Landau**: "We here at Dial-Global keep our finger on the pulse of the network television marketplace, because it's clearly the turbine that turns the advertising engine. A good network TV upfront usually bodes well for network radio."

One to One and ROI

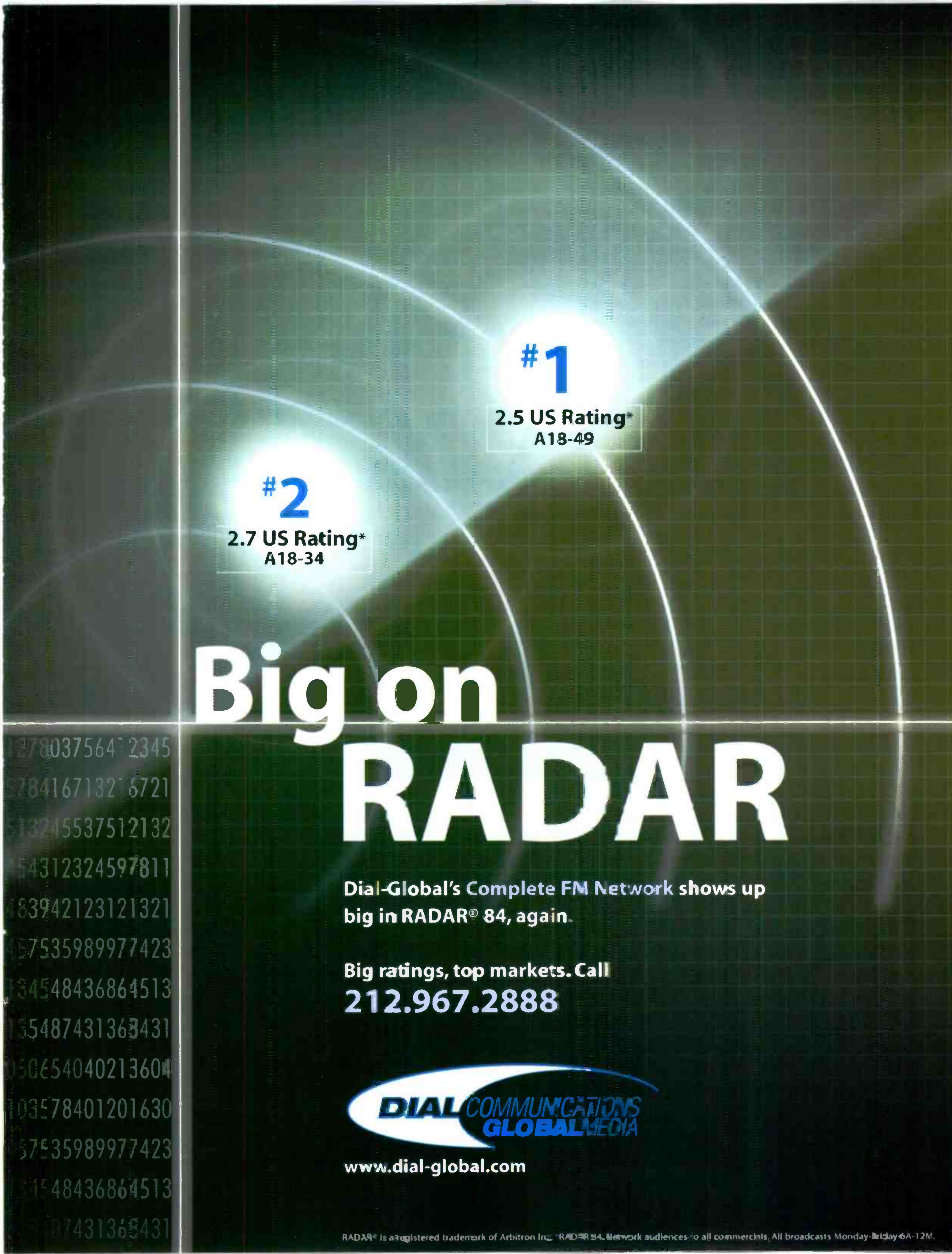
As Keeshan mentioned earlier, the idea of maximizing ROI and one to one communication with consumers is getting a lot of attention for this upfront. Twentieth TV & DirecTV EVP/Barter Advertising and Cable Sales **Bob Cesa** says everyone's talking about one to one marketing: "But after all is said and done, that's a pretty expensive proposition that nobody has been able to figure out with regard to measure. I still think to get an effective sales message across to a lot of people, broadcast TV is a great medium and will continue to be. But like anything else, new ideas are always being looked at—branded integration, cross promotions, launch promotions, etc."

"We just got back from the development meetings and just saw our first cable upfront," recalls Keeshan. "We sat with the Turner people, they did a program development meeting. We're going to sit with 30 more meetings. I think that what we're going to hear is a lot of ways that we can connect to the audience. How can we take a mass audience like TV and then break it down into getting closer to a one to one communication?"

"The biggest issue we've never wanted to address in the media business is the issue of waste," admits Verklin. "The majority of commercials on TV are being shown to an audience of which 50% is not in the target. One of my large clients is Iam's dog food. What percent of the viewers we put a dog food company commercial in front of own a dog? 40%? 30%? The new technologies have the promise to allow us to advertise to the interested—the 'Effective CPM'."

Product integration deals popping

How are product integration deals making an impact in upfront negotiations? They're being packaged like never before! And, with new technology, the imaging can be placed—and replaced—in programming anytime.


#1
2.5 US Rating*
A18-49
#2
2.7 US Rating*
A18-34
Big on
RADAR
Dial-Global's Complete FM Network shows up big in RADAR® 84, again.
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RADAR® is a registered trademark of Arbitron Inc. *RADAR 84. Network audiences to all commercials. All broadcasts Monday-Friday 6A-12M.

"That is PVI technology (Princeton Video Imagery)," explains Verklin. "It's the same technology that allows you to put the first down line on a football game."

"Every client wants it whether it makes sense or not," claims Berger. "This phenomenon creates demand and that leads to higher prices."

20th TV EVP/GSM **Dave Barrington** says they've had quite a few deals over the past broadcast season in the PI world: "When we were in Vegas at NATPE, virtually every meeting we had spoke of product integration. We're having conversations on a daily basis trying to get stuff not only in our first-run stuff, but in the off-net world and virtual imaging in some of the network re-runs."

Adds Cesa: "And on the DirecTV side, we're talking to a large number of advertisers about our interactive advertising opportunities going forward."

Indeed, he recently helped close a deal with Chrysler Group to join the new DirecTV Advertising Development Partner Program which gives clients an interactive ad and research vehicle that spans across multiple DirecTV product platforms (interactive basic set-top receivers, DVRs and the DirecTV Media Center). The program will launch in September.

Bob Cesa

Jon Mandel, Chairman/MediaCom US and Chief Global Buying Officer, MediaCom Worldwide, agrees PI is a hot topic, but the biggest deals aren't really a part of the upfront. "Product integration—everybody's doing it. And I think it's just a stopgap, because it's outdoor in your living room. The bigger deals that actually do work for clients take longer to put together to really get the equity out of it. And so those are done, sort of outside of upfront."

Gene DeWitt

"Branded entertainment is on everyone's radar screen," said **Marianne Gambelli**, EVP/NBC Universal Sales & Marketing. "Advertisers are looking for different ways to break through the clutter of the 800-channel universe, and product integration is a great way to do that. If it's the right fit for the client, the producer and the program, a product integration campaign can be a terrific enhancement to the traditional :30 spot. However, it's important to strike the right balance between meeting your advertiser's needs without intruding on the viewing experience. When that happens, you can create a campaign that both enhances your brand and resonates with the audience. It's certainly a service we have to offer our clients."

Warren says ultimately it is incumbent upon buyers—and sellers—to do PI deals, "Because that is how they're marketing to people these days. We need to work those into deals. The impact is the people who have the best creative ideas and help us execute them best are going to get more of our money."

VOD, DVR and more

Ad skipping and on-demand viewing could cost the TV industry $27 billion in lost ad revenue over the next five years, according to new research from Accenture. The tech consultancy reports that 70% of ads are already being skipped by viewers with DVRs; that trend will only get worse as DVR penetration grows from the current 8% of homes with DVRs to a projected 40% by 2009.

How will VODs and DVRs have an impact on this upfront? "I certainly believe that's an area of opportunity for us," admits Keeshan, "for viewers to not only engage in the program of choice at that time, but also an area of opportunity for advertisers to get to that individual who's going to be engaged not only in that program, but maybe taking it one step further into finding out more about the products that we have."

Warren says more people are putting VOD offerings together and there's an appetite on the advertisers' part to experiment and spend some money there. "That will be something of a drain on the upfront, because people don't want to ignore it, can't ignore it, and we'll all be taking some dollars out of the general marketplace money to fund some of these tests."

We heard earlier from Verklin that there will be no sea change—this year—but there is concern as to what percent pf PVR penetration begin to re-define primetime and make clients really begin to question the efficacy of the traditional :30 in prime. Verklin says most agree the low number is 20%, some say 30%, which would mean the 2007-2008 upfront: "But all is not lost, all the research is showing that the :30 TV commercial will continue to have punching power and efficacy, albeit at a reduced rate. I think it's going to affect the price negotiation. You'll go to a network and say, 'Look, I know you're charging a $22 CPM on that and I'm not willing to pay that anymore. Because the audience is not actually X, it's Y and I'm going to negotiate off of that.' So in '06-'07, you're talking about a really challenging market for the sellers, as well as the buyers, because the buyers are going to have the nerve to do that."

When we get into '07-'08, there will be a larger deployment of new technologies. VOD will allow you to insert a commercial probably in the beginning of a show, but it's not going to be fast-forwardable. However, "other people are looking at messages that come out when an ad is fast forwarded," adds Verklin. "You'll begin to see new technologies where you're a dog food owner and you'll get dog food commercials [One of his clients is Iam's]."

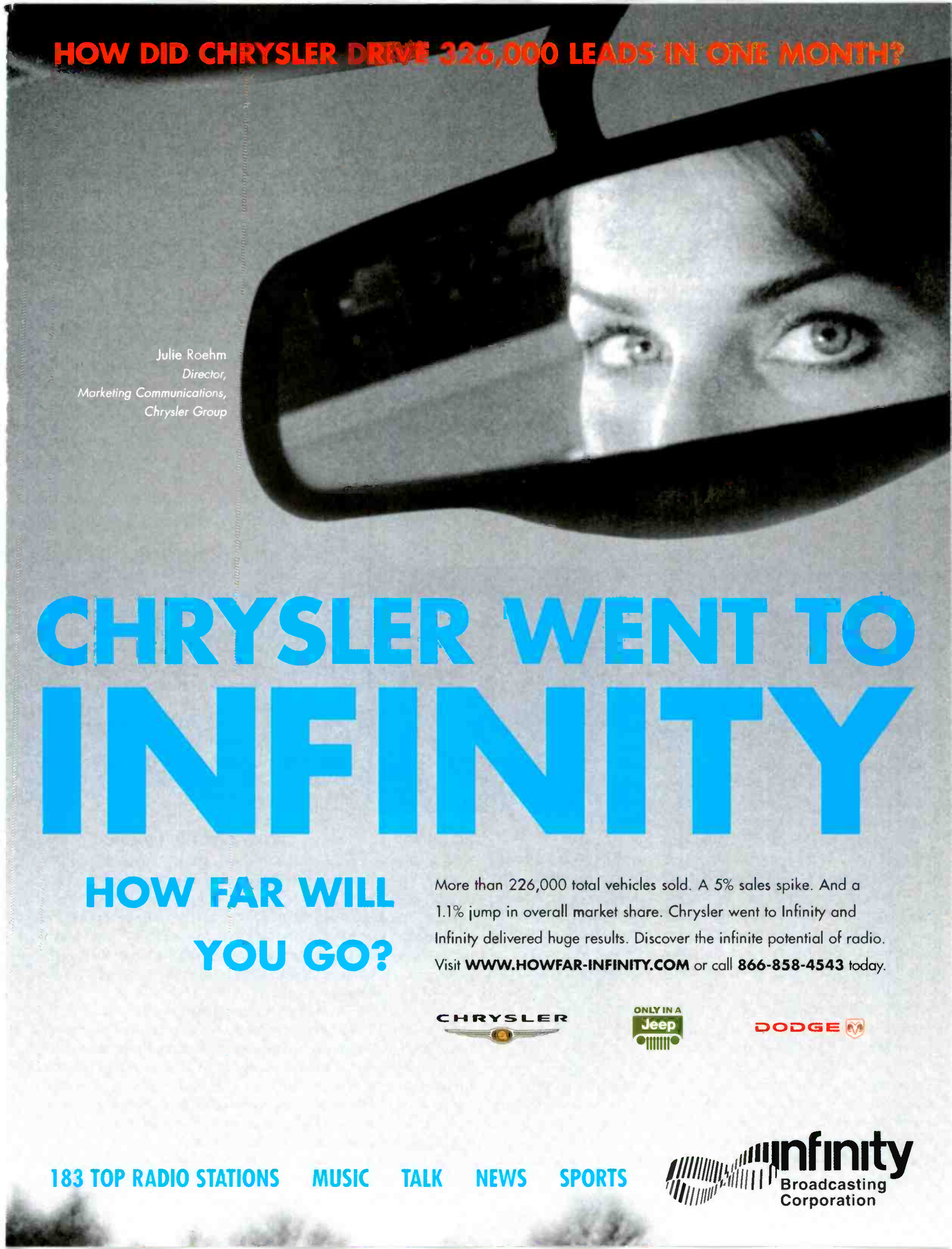
DeWitt Media Options President **Gene DeWitt** is a bit skeptical about VOD's hype and importance—at least for today. "All of these things that people have been talking about for the last few years—product placement and DVRs and VOD—all have hardly 5% penetration or usage by anybody, whether it's audience or advertiser. I think that all the noise that's being made about them is really a way to distract advertisers from the fact that they're paying more for less."

Another new technology that may make an impact may come from the Comcast-TiVo deal that spawned a new ad system that will insert new, updated commercials into already-recorded programs. Comcast CEO Roberts told cable execs recently that programs that were recorded weeks ago on a TiVo would have their old spots replaced with new ones. The system could also take into account viewer patterns to make ads more targeted and relevant. Comcast will offer it in 2006.

Yet another option is split screen advertising, where the programming continues on half of the screen with its audio. A branding effort or compelling imagery is the ad on the other half. "That's a very interesting technology. I think that could be another solution," says Verklin.

Demand, CPMs and scatter

Broadcast nets had an impressive upfront last year, hitting $9.4B and averaging 7% price increases for the 2004-2005 season. Cable also did well—up to $6.4B, and syndication hit $2.3B. What about demand and potential CPM


HOW DID CHRYSLER DRIVE 326,000 LEADS IN ONE MONTH?
Julie Roehm
Director,
Marketing Communications,
Chrysler Group
CHRYSLER WENT TO
INFINITY
HOW FAR WILL YOU GO?
More than 226,000 total vehicles sold. A 5% sales spike. And a 1.1% jump in overall market share. Chrysler went to Infinity and Infinity delivered huge results. Discover the infinite potential of radio. Visit WWW.HOWFAR-INFINITY.COM or call 866-858-4543 today.
CHRYSLER
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Infinity Broadcasting Corporation

increases this time around? It's a bit soft, as most are saying, due to an unimpressive scatter market. In fact, scatter pricing is down 5% vs. upfront pricing. ZenithOptimedia Group predicted in its recent updated forecast that the 2005-06 network upfront will be "relatively soft." "Telecom and retail mergers, government scrutiny, high oil prices and the weak dollar have led advertisers such as P&G, Pfizer, Merck, and Kraft to exercise cancellation options at generally higher rates this year," noted the report, which predicts network TV ad spend will climb only 3% in 2005.

"It's still too early to talk about it, but I think part of the problem is there is uncertainty," explains Mandel. "Nobody knows what the budgets are for next year. The good news is every cable network and every over the air network has a few good shows now, so there's an excitement back in television. The problem is nobody has total depth and breadth. So the supply is reasonable constant across all of the different TV forms, but the demand side of the equation we just don't know yet. It looks to be weak, I mean there is no new product news, no big launches going on, which usually drives the market."

Jon Nesvig

"This year's upfront will unfortunately, continue its legacy of increased prices with decreasing ratings," complains **Julie Roehm**, Chrysler Group Director of Marketing Communications. "To what extent, I would guess in the 5% range. Optimistically, I continue to hope that the sellers and buyers can gather to discuss alternatives to this process hopefully spurred on our friends at the TVB or ANA."

Michael Teicher

Her specific alternative has been reported widely (3/28 TVBR #61). At the recent ANA, DaimlerChrysler gave a case study explaining how it has been shifting money away from TV and offering an alternative to the upfront model that is based on the stock market. Roehm explains more: "A system that allows ad space to be bought and sold at market driven prices via a more efficient electronic system would afford advertisers and networks alike to concentrate on branded content and interactive TV, which is the inevitable future and how consumers are choosing to consume media where available."

For the categories, Verklin estimates Entertainment will continue to be very strong, there will be some solid strength in packaged goods and overall, automotive will be down. Pharmaceutical, he thinks, will be down. "I think you're going to see some pickup in telephony, which is a really hot category. And I think you're going to see another category begin to pick up this year—the web—using TV to drive traffic to websites: 'Digitally-centric direct marketing'."

PHD CEO **Steve Grubbs** agrees, that in general, "We don't see any substantial increase in demand from any product categories. The marketplace feels softer than a year ago."

"I think Steve's dead on," attests Keeshan. "Certainly what we're seeing is it has been softer than prior scatter marketplaces. People blame it on more media choices. There's more testing going on in other areas outside of television. Some of the major packaged goods companies took back options. I don't think it's an anti-TV statement. Like we were a year ago, there's no real clear direction in the economy. So I think that people are holding money and probably using it for other stuff. We don't anticipate any lopsided markets here this year, as opposed to two years ago."

Warren says the mood is that over the last two years, scatter has not been priced well, which means the upfront has been overpriced: "I think that everyone will be very cautious as to this year's upfront marketplace. And I don't think that helps the sellers—the fact that Q2 is not robust, when normally they love that, going into an upfront. It's not helping—there is no wind at the backs of the sellers. If anything, it's at the backs of the buyers."

Adds **Jean Pool**, Universal McCann EVP/Director of North American Ops: "It's very quiet out there...not so last year. The scatter market has been slow and that usually bodes ill for the upfront marketplace."

Mandel says a weak scatter market or a strong scatter market affects the psychology of the market, but it doesn't affect the underlying economics of the market—because the overall market is upfront and scatter. "And that's the most important thing—the total amount of dollars being spent. And then, it becomes a question of what do the networks think is going to go upfront and what do the advertisers and agencies think is going to go upfront. So anybody who says they have an idea of what the total marketplace for September '05 though August '06 is just smoking crack at this point."

Jon Nesvig, President/Ad Sales, Fox Broadcasting, says the scatter market hasn't been roaring, where people are paying big premiums, but there are apples and oranges comparisons as well: "Our scatter vs. our upfront is ahead of our upfront, for instance, in terms of pricing. Part of that is we're certainly a different network now than we were in the fall. We've got House, which was the number five show recently. The O.C. is a hit with younger audiences on Thursday night for us. 24 has continued to do great with upscale audiences and American Idol has been written about everywhere. So we've got a lot of momentum going forward."

Programming options

What some top picks for success this time around? "I think that the momentum that the broadcast networks have now—particularly ABC, which is good for all of TV. They've got some unique dramas there," attests Keeshan. "These are some big dramas that have reassured a lot of clients of the value of broadcast TV. And we will be looking for a continuation of that. In cable, it's still early, but I'm encouraged by some of the original product Turner continues to make at TNT—some great originals, in addition to the movie libraries they have."

Says Warren: "We were out in LA recently. We saw ABC, NBC, Fox and WB. I'm seeing much better developed product. The quality is much higher. **Dennis Hopper** is in a pilot for NBC. **Jerry Bruckheimer** has multiple projects in the works for networks. And then you get guys like **J.J. Abrams** who've done 'Alias' and 'Lost,' and then they get another project on. So really—high talent, high-quality programmers are getting more shows on the air. I was pleased with what I saw out there, but I don't know what will wind up on the schedule."

Says Mandel: "I do believe that everybody has something. If I talked about The Shield on FX to CSI in New York, that leaves out 60 other networks. You've got everything from Amazing to Survivor to CSI to Law

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and Order to Desperate to Lost. WB's Gilmore Girls is very resurgent. Fox with Idol; The Shield. Hell, even in syndication, [Sony's] Seinfeld is still going strong. A lot of the off-nets are still strong. There is The Simpsons, which you can't buy nationally, but you can put it together as an unwired; you've got Raymond; you've got Oprah and Wheel—I mean you can't kill that thing!"

How will syndication fare?

Speaking of syndication, one of the qualities it possesses is a heritage of programming that has stood the test of time. An advertiser knows that these programs will deliver huge ratings, 52 weeks a year, and aren't fly-by-night successes or failures.

"I think advertisers are looking more closely than ever at partners that distribute the best programming with real reach, ratings and desirable demographics," says Warner Bros. Domestic TV Distribution EVP/Media Sales **Michael Teicher**. "Fortunately for us, we have a pretty good list of returning shows that are strong brands including Friends, Will & Grace, Ellen, Extra, Access Hollywood and ER as well as new entries for this fall including Tyra, Sex & the City and Smallville. We're very excited by the huge growth Ellen is experiencing in key women demos and the quality of her audience and are quite encouraged by the reception we've received for **Tyra Banks**."

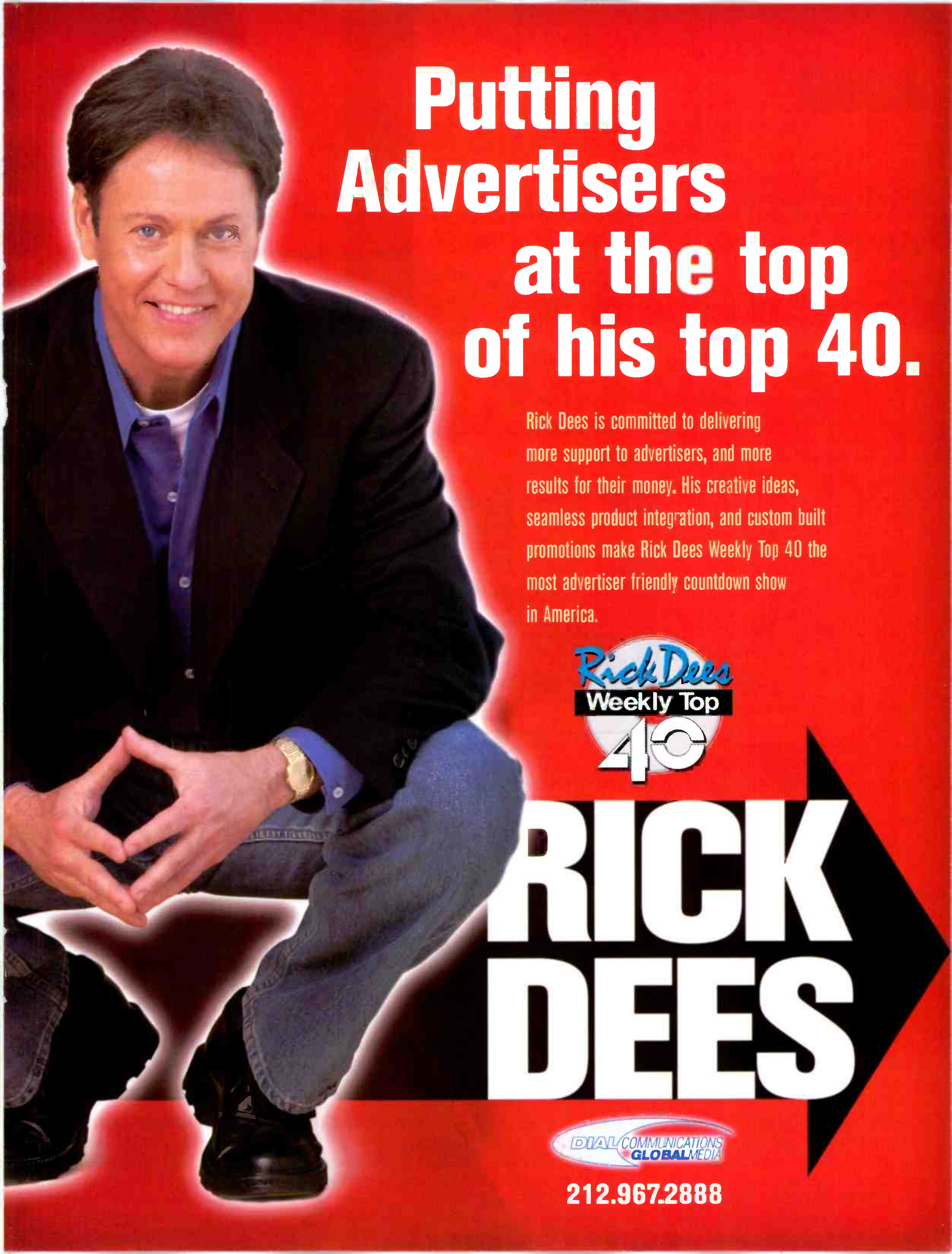
"The SNTA put on a great, compelling show to continue to highlight the value of syndication. Tyra certainly has a strong following," explains Keeshan. "And it goes with the strength of off-net programming, really, and some select talk shows. And I don't see how that model changes that much in the upcoming year."

Will cable continue to erode broadcast?

How are the broadcast nets stacking up against cable? Will cable continue to grab more share in this upfront? "I think what has changed in the last year is broadcast declines have been stemmed by some of the big hits—the American Idol and the Survivors, and even some of the dramas—CSI," explains DeWitt. "I think the big event this year is broadcast declines, which have been going on for 15-17 years, seemed to have flattened out. That's not good news for cable and syndication. For cable, it's a harder job because they're going to be increasing audience primarily by taking share from another cable network."

Nesvig agrees, "At one point we were down a percent year-to-year, or it was flat, but network erosion hasn't been a big factor this year. So if people were planning for continued network erosion, it has kind of turned around. Hopefully that will be a factor in people's planning for this year—that this is still the best place to aggregate big audiences."

Is cable going to continue grab more share from broadcast in this upfront? "Yes, I believe they will get a bigger share, says Pool. "But they would get a much bigger share if they moved into the 21st Century with EDI trading."



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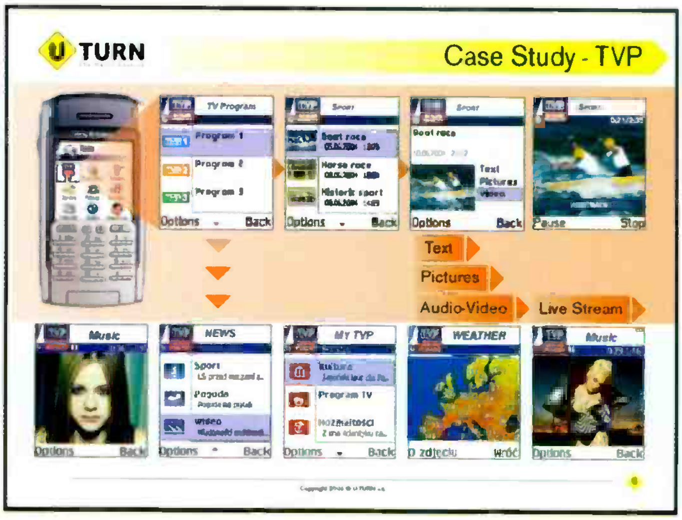
By Carl Marcucci / cmarcucci@rbr.com

Other new ad mediums on the buyers' plate

Here are a few more new ad mediums, as discussed in our upfront feature, page 8. Garnered from the AAAAs in New Orleans was a host of new ad medium—exhibiting and examined on panels.

Here we speak to three we had the occasion to meet and speak with at the conference. RBR/TVBR met with **George VonAllmen**, VP/Sales & Marketing for RoadBoardz, a company that specializes in truckside ads; **Peter Volny**, VP of Freefone, a standalone free phone complete with its own video ad display; and TV10s President **John Moczulski**. TV10s specializes in the sale of closed-captioning sponsorships and promotional advertising, is dedicated to the expansion of advertiser opportunities through 10-second short-form messaging in a variety of both existing and emerging media.

We also talk to **Izzy Abbass**, Izzy Abbass, President, U-Turn Media, and in charge of the company's Vizgo smartphone video streaming service. U-Turn is a provider of streaming video services to mobile phones and mobile media portals that have been developed for broadcasters and media companies based on its Vizgo delivery platform. Harnessing the power of mobile technology generates new sources of ad revenue and develops applications that expand brand awareness and loyalty.



The Vizgo service in action

Tell us about your service. How does the Vizgo model work?

Abbass: U-Turn provides custom-branded mobile portals for local broadcasters and national networks. U-Turn's proprietary platform, Vizgo, allows a broadcaster to easily offer its viewers the ability to watch news, weather, sports and entertainment on their mobile phone anytime, anywhere, simply by clicking on an icon of the broadcaster's logo. Furthermore, for those users without video enabled phones, this same platform allows broadcasters to transmit text, audio and or pictures so they can address the whole mobile market, just not one part of it. This opens up a whole new revenue stream for broadcasters because ads can be targeted towards interested viewers. For instance, someone checking out ski conditions in Colorado might see an ad for one of the major resorts or a restaurant in Vail, all through a portal branded by the local station.

In addition, Vizgo, turns cell phones into interactive, multi-media devices that consumers can use to watch news and sports video, vote in polls or contests, enjoy music videos, download pictures, wallpapers and ringtones, play interactive games or simply keep up to date with their favorite TV show from anywhere in the world.

How can they generate new revenue?

Abbass: The short answer is advertising, advertising, advertising. Some mobile video services today are generating revenues by charging small monthly subscription fees or pay-per-view fees. However, consumers in the US are accustomed to viewing most content at no additional charge.

At the same time, the mobile phone is the becoming the most powerful advertising medium in history. It is the first media device that is in the hand of the consumer all of the time, everywhere he goes. The mobile phone enables brand managers to create a personal, interactive dialogue between the brand and the consumer. They can target specific consumer demographics to maximize the return on their advertising expenditures. Coupons sent to mobile phones are realizing an uptake greater than ten percent. Advertisers want this type of consumer response.

We believe that the best way to drive viewers and maximize revenues is for the broadcasters to provide the content at no charge to the consumer and sell sponsorships to advertisers.

An additional way to generate revenues is to cross-sell and up-sell products to mobile video viewers. For example, a station might send alerts to subscribers every time a key play or score is made during an important football game. Once a subscriber receives the alert, he simply presses a key to view the highlight of the play. After viewing the play, he might be given an opportunity to purchase a ringtone of that team's fight song or vote in a poll asking whether or not the coach's contract should be renewed.

How specialized can you make the exposure?

Abbass: We can use at least two factors to target advertising messages. First, we can track the viewing habits of a particular consumer. So, if he regularly watches Boston Red Sox highlights, we can send him opt-in advertising that targets that demographic. Secondly, we can use the demographic information that is gathered during the subscriber registration process. The combination of subscriber demographics and consumer viewing habits creates a powerful tool for specialized exposure.

How does the Roadboardz model work?

VonAllmen: We are in collaboration with Telmar - the world's largest supplier of media software to the advertising industry—to be *the* model for the newest category of out-of-home—Truckside Advertising. They hope to have it incorporated into their latest

Erich "Mancow" Muller

Mancow Explodes Into National Syndication

Garnering Huge Fall Book from Chicago to Des Moines

Whether he is Chicago's unpredictable #1 rated morning show or one of the highest rated segments on the Fox News Channel (as a regular on *Fox and Friends* for 6 years) Erich "Mancow" Muller's national syndication is one of the hottest national launches in radio since the fairness doctrine was overturned - changing radio forever. Mancow looks poised to change radio once again.

Say's Muller, "We have cracked the FM code, and we are doing a show that is a pop-culture explosion every morning and is all over the place. It is the fastest paced show in radio, and I think it is the future".

Indeed, **Erich "Mancow" Muller's** Fall ratings in America's third largest market (Chicago) expose his top market status as a ratings titan. In the Fall Book, in a head to head analysis **Mancow's Morning Madhouse** pulled a 11.7 share for men 18-34 in Chicago, while **Howard Stern's** male **18-34** number was only a **6.2** share – **beating Stern by an astounding 88% in that key demo (Ranking Mancow #1).** For the male **18-49** demo, **Mancow was also ranked #1 with a 7.1** share versus Stern's 3rd place ranking. Finally, in men 25-54, Mancow pulled a massive 5.9 share in Chicago's brutally competitive morning drive. "**Mancow's** massive numbers in Chicago and other markets are but a sampling of what TRN-FM soon will be able to reveal with **Mancow's Morning Madhouse** nationwide. This show is simply brilliant; there is no other way to put it," says. **Mark Masters CEO of TRN-FM** the company that syndicates **Mancow**. "So the Mancow show does well in major markets. But will it play in **Peoria**"?

The answer is a resounding "YES," according to **Gabe Reynolds, PD of Mancow affiliate WWCT/Rock 96.5 in Peoria** where **Mancow's** show just pulled a **9.3 share** (male **18-34**) a **6.8 share** (male **18-49**) and a **5.4 share** (male **25-54**). "We brought Mancow to town this past May and Peoria is still talking about it. With **Mancow's Morning Madhouse** listeners and the competition stand up and take notice."

Peoria is not alone. In **Knoxville** at **WNFZ** in the Fall Book **Mancow's Morning Madhouse** pulled a **17.3** share for **18-34** men, an **11.3** share for men **18-49** and an amazing **10.5** share for men **25-54**. At **KAZR**, **Des Moines**, **Mancow's** show pulled an incredible **18.2** share for men **18-34**, an **11.8** share for men **18-49** and an **8.2** share for men **25-54**. **Steve Goldstein, Saga Executive VP** says, "Cow is the man and has delivered for us in Des Moines for years."

> ***"It is the fastest paced show in radio, and I think it is the future."***

Mancow: Ratings with Revenue

Besides his undefeated top five market ratings, **Mancow's Morning Madhouse** has been able to attract a vast array of national brand advertisers. **Joe Hubbard**, National Sales Manager for **Emmis' WKQX FM** reacted to news in June 2004 that **Pioneer Electronics** had bought within the show "I am very pleased that a national account such as Pioneer has recognized the obvious difference between the **Howard Stern Show** and **Mancow's Morning Madhouse**. They will now join such clients as **Nissan, Car X, Comp USA**, and **Comcast**, that have begun marketing on **Mancow's Morning Madhouse** since the beginning of 2004. These clients have not received any negative feedback and have only reaped the benefits of finally reaching the elusive male **18-34** demographic they could not reach anywhere else." In addition to the above, **over 20 other national brand advertisers** have found **Mancow's** program to be a highly attractive environment for their message. **Subway, Blockbuster, Pepsi, Pontiac, Fox** and **Volvo** to name a few – have discovered the power of Mancow.

"The range of content, emotion and sheer entertainment covered in a single show is amazing and frankly refreshing," says TRN-FM's Masters.

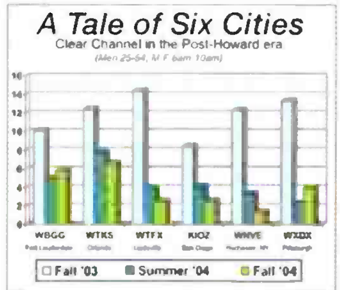
In a typical two day period, Mancow's guests have included **former Clinton master-mind Dick Morris, television's Dr. Phil, "Star Trek Enterprise's" Scott Bacula, rocker Marilyn Manson** and powerhouse producer **Jerry Bruckheimer**, to name a few. His topics in a single show can cover areas as light as the hottest music, movies and pop culture to hard-hitting topics such as terrorism, personal freedoms and exposing the dangers of the occult.

Clear Channel in the Post Stern Era: The Tale of Six Cities

Indeed, **without** a star of **Mancow's** magnitude to stop the audience exodus, after Howard Stern was removed from six **Clear Channel's** stations last spring, a shocking tale of woe has been visited upon those stations since **Stern's** departure. **On average, male 18-34 audience has declined around two thirds in morning drive across those signals, and male 25-54 numbers is even worse (see graph)**. "Even with **CC's** best efforts to replace **Stern** with their best bets, the morning drive ratings of those former **Stern stations looks like they have been hit by the Ebola Virus**," said one top market PD. **Is this what is in store for existing Stern affiliates after January 1st?** General Managers, PDs and consultants who have analyzed the top markets agree that there is only one franchise player that has consistently beaten Stern in the top ten markets **and is capable of being the antidote – both in ratings and revenues – to the viral audience meltdown that may follow Stern's departure, that antidote – Mancow**.

"Let's be frank – the reality is that a listener's loyalty does not exist because of the call letters or dial position; it exists only because of the bond between the talent and the listener. When that talent is no longer there, those who don't want to pay hundreds of dollars on hardware and then $120 or more a year to listen to Stern on Sirius are going to be out there sampling for a new morning radio station."

"On the one hand, you have **Mancow**, who hosts a show with a proven track record in multiple markets, both big (**San Francisco, Chicago**) and small, and has many years of success. On the other hand, you have an untested new show, no matter how big a name the individual hosting it might have, with absolutely no track record of success at radio in the top markets. Again, I ask you the question, "Who would you bet on?" Because if you are in a big market and you bet wrong (develop new talent or use untested small market syndication in a top market) then you **are now faced with competing against Mancow in your market** (he will be there because your competitor will take him if you don't). "The result may well be this; Mancow may be like a ratings *explosion* for the morning drive nation wide. If he is, station management who bet *against* Mancow will be gone in three to five books: says one top market FM talk executive. "...because a PD who sends Mancow across the street has just financed their competitors growth."



Say's Muller, "Nothing conjures imagination like radio, and we really like breaking down those walls. No other show on radio does it the way we do. We create entire universes where people go mentally. That's really fun". ■

upgrade, scheduled for an April launch. Very basically, we begin with a number of daily impressions per Trailer for the Top 200 DMA, ranging from a high of NYC at 100,000 (which includes foot traffic in Manhattan), and scales down to merely 10,000 for the last quadrant. Depending on the reach goals, we then determine how many "pieces of inventory" will be required to achieve saturation goals. The "proof of purchase" is tied in directly to the GPS downloaded monthly "Truck Manifest" showing all the trucks' routing, delivery addresses, duration between stops, and total monthly "working" hours - guaranteed to be 150 or higher. In fact, for a slight upgrade charge per month, an advertiser can gain password access to the server which tracks this info, giving them the opportunity for an actual "real time" view of their inventory, "Oh look, there's our ad moving through Times Square at 1:14 pm EST."

Also, we collaborate/consult and encourage our clients to "put a hook" in any truckside campaigns that go beyond traditional branding. This is somewhat self-serving - we want them to be convinced of the effective ROI of truckside. Even if it is not a specific "call to action", we always push the issue. A recent example - White Castle used the rear door to introduce a new product - Breakfast Sandwiches - in certain targeted markets. We pushed for the individual restaurants, and found that breakfast sales were up over 30% the first full week of the campaign.

Who are some of your advertisers? What is the pitch to them?

VonAllmen: We are currently running specific routes in Ohio and Indiana for White Castle, the original fast food chain! We are also working with Great American Insurance, Paramount's Kings Island Amusement Park, Hard Rock Cafe, and Re/Max. Our PitchRoadBoardz offers targeted Mobile Media-it's new and non-traditional, but ultimately mobile and measurable!

How does the Freefone model work?

Volny: Freefone is a public courtesy telephone and digital video advertising system with a full range of motion and sound. Freefone allows users to make free local and toll free calls. Advertisements appear in a 8 minute continuous loop, with the sound muted during phone conversations.

The eye-catching Freefone terminal is 24" by 37" with a 15" video screen. Designed by Watt IDG Inc, one of the world's leading retail design firms. Freefone's professional appearance compliments its host surroundings, while highlighting the message of advertisers.

Freefone installs the telephone in selected high traffic locations at no charge to the host location. Freefone covers all operating expenses and provides all maintenance. Freefone drives increased customer satisfaction resulting in higher revenue and more return visits for retailers. Universities and Hospitals benefit from complimentary service for everyone on site.

Not only is there no cost but Freefone is a brand new source of revenue (profit) from shared advertising revenues for host locations. Furthermore impulse purchases, driven by Freefone advertiser's brand messages, close to the point of sale, increase revenues. Customer service representatives appreciate Freefone because it stops all requests to use the telephone at the customer service counter. Freefone distributes the commercials directly to the units via the internet which allows complete flexibility geographically. Commercials can be changed almost instantly and at no additional cost to the advertiser.

Who are some of your advertisers?

Volny: Well we're actually just starting to sell advertising now but we do already have contracts with Bell; Cincinnati Bell; Lexmark, Special Olympics.

We hear closed captioning could end up funneling as much as $1 billion a year in extra advertising revenue to the TV business as early as 2006. How so?

Moczulski: While we can discuss the potential of any marketplace growing this rapidly, the short message form could be explained as follows: Currently, the marketplace calculates to about $250M, mostly in syndication and limited network avails. With the January 2006 FCC mandate for closed-captioning, broadcast networks as well as the 65+ rated cable networks will have to spend more than $1M each to physically close-caption their programming for the mandated 18 hours per day/ 7 days per week. To offset this expense (and generate additional incremental revenue), they can elect to solicit and include sponsorship in each program. Using extremely rough math to illustrate this growth potential, if (for example) in syndication a 2 HH rating in daytime generates a spot rate of roughly $6K, one spot per hour on a broadcast network including prime time would probably equate to 8-10 times that amount. If all broadcast and cable networks seek to ameliorate this expense through closed-captioning sponsorship, the addition of all of these units into the marketplace could potentially project growth to over $1B over all broadcast and cable networks. More likely though, this is what the market could look like after the first full year of mandated closed-captioning. This marketplace figure would also take into account its use in VOD, broadband, wireless devices, and other applications.

Which advertisers have so far used your service for closed captioning and otherwise?

Moczulski: Some of the advertisers that work with TV10s included: Nestles, Lea & Perrins*, GSK*, Odor Eaters, Sherwin Williams, Scott's Liquid Gold, Lending Tree, Quaker Oats Cereal, Stagg Chili, Liquid Plumber, Warner Brothers Home Video and Geico. Additionally, P&G, Unilever, J&J and many other national advertiser use the category. *Closed Captioning as well as 10 Sec IDs.

How does the ad message get worked into the content?

Moczulski: There are a variety of ways that we explore to integrate a sponsoring partner's brand message through direct mention by or interaction with the on-air talent or announcer in the program content, or as a lead-in/ lead-out piece to the program content.

What other media do you offer short form texting ad messages in?

Moczulski: We are currently talking to several search engines about the potential adaptation of our short form units. Television station groups have shown interest in investigating potential revenue generating promotional opportunities utilizing text messaging technologies. We are actively working with two studios to introduce our advertising vehicle to home video releases, and executed "commercial free" sponsorship of the NFL Network's On-Demand package this past season on Comcast. Additionally, we've had meetings with more than one theatrical entertainment company about short form promotional messages integrated into theater media.

By Jim Carnegie / jcarnegie@rbr.com

Technology breaking the sound barrier

Video recorders: Remember the Sony Beta format *vs.* the VHS format? Sony had a better machine, but other manufacturers in '78 had a cheaper price. We know the end result – VHS won and it applies, today.

Technology – The record industry not only misread their consumers, but were on another planet and never saw the technology of the computer coming with mp3s, iPods, iTunes. They will never recover as a business, period. Young consumers, middle age and even upper demos know how to use a computer and download a .99 cent file. They're no longer buying a full CD just for one song or title cut.

I just returned from a private summit meeting with former FCC Chairman Michael Powell as he talked with executives and made this profound statement – "Digital information is a form of art." He also used the music biz as his example and I paraphrase his words, 'The music business is DOA, they blew it and will never get a hold of it and will never come back.'

Observation – Technology is innovation moving so fast it is breaking the sound barrier. Younger demos are Multitaskers (and multicasters!) with up to a dozen Instant Messages going on at once. Plus streaming audio, video downloading and taking control of the programming content (which is King) and becoming their own PD, sending these files on to friends as a podcast.

These demos may have a TV on but they are not watching, they have radio or audio on but are not paying attention. They live in an environment known as the 'Dark Network'—sharing of data, information, etc. that all can tap into one source that a member has produced. College freshmen & women are a major part of this Dark Network in their studies, notes, and entertainment. It's the old-fashioned study groups of five, but now it's the entire college campus.

It is always interesting to guru the future of 2010, but if broadcasters don't get in touch, get their arms around this one issue, you will not have this particular 2010 revenue base – National Spot Sales. Radio and especially TV—your National Spot is on an iron lung and is facing the same tune as the record biz when they did not recognize the computer. The buzzwords – Electronic Delivered Invoicing, or EDI, is a must or national will be gone. I am told Radio reps of Interep and Katz are doing a better job at EDI than TV reps.

TV rep firms I hear, off the record from high level sources, that you are dragging your feet and will not embrace the real EDI process. Said **Kathy Crawford**, President of Local Broadcast at Mindshare, "If we don't do this I can tell you it will be a great impediment to the future use of spot television." This is a wake up call! Read the smoke signals in the sky 04/04/05 TVBR & RBR #66.

Short list to FIX now:

- EDI – To understand the real technology contact Interep and especially Marc Guild or Jim Mazzarella and let them explain the technical side to you. It is 4A's compliance for both Radio and TV. Tested with TV and currently in full operation.
- Digital TV with HDTV. Do you realize that this years' Super Bowl broadcast in HDTV only had 7 spots produced in HDTV? You wonder why the clients won't spend money on creative for HDTV when it is not being received by the consumer to view.
- Date for analog to digital transfer – it will have to be pushed back most likely end of 2008 but by 2009 schools out.
- NAB, not what it used to be. Surprised? As described to me by Powell, it is all politics. Was he pissed when he got drilled from Sen. McCain and Dorgan? NO because as Powell says it is not personal it is politics or an inside the beltway game. You just have to know how to play it. So where does NAB find that one person to lead?
- The executive committee finds that one person with leadership and knowledge qualities of all issues and that person builds an internal team and empowers that team to do the lobbying job. I heard it will take six months of searching to find Eddie Fritts' replacement. That is the Holy Shit factor. The broadcasters game will be over in 6 months as we enter '06.
- Who should lead the NAB? The age demo with experience of today and tomorrow's issues. Between 46 to 49 and not someone waiting for their gold watch. Young? Nope because look at the age of Nexstar CEO Perry Sook (48). He's not going anywhere for the next 15 years and that is what is needed to lead the NAB. Someone that will go the marathon distance for the next 15 years with that special empowered team effort. For God's sake, don't bring back anyone that departed the NAB for a short term fix if you want our NAB to be a power inside the beltway for the next decade.
- Up Front, not what it was as **Mike Shaw**, President/Sales and Marketing, ABC TV Network, said: "I know you want to be predictive and I know you want to look at the upfront and the upfront results and declare winners and losers. It's not that easy, and it's just a component, albeit the most important, of the entire 52-week process…it's not as easy as a snapshot looking at who booked what in the upfront come June 15th and declaring, 'OK, you've won, you've lost, this company is on a roll, these guys aren't. Not to mention the fact that most of the programming that we sell in the upfront, particularly on the new programs, and this season is a marvelous example, don't even start until the following September. So you're talking about a process that occurs really three to four months before what we're measuring actually happens.' 04/08/05 TVBR #70
- Shaw is correct as upfront is 52 weeks a year. How do you get the spot buy? Back to point #1 – EDI.
- Common sense—you have it—use it. Be knowledgeable with technology for 2010 but implement what is needed today so you can get to 2010 successfully. Stop the Guruing and fix your immediate problems today.

Now it is your decision to empower and take action on these few issues today in 2005.

One on One

By Carl Marcucci / cmarcucci@rbr.com

Susan Whiting: Managing the big picture

Nielsen Media Research President/CEO **Susan Whiting** carries a lot of responsibility, adding the VNU Media Measurement and Information Group EVP role as well in April. She's got deep roots in the company, joining Nielsen in 1978 in a management development program. The following year, she was assigned to a unit developing new approaches for measuring an emerging medium—cable television. Since then, Susan has worked in every aspect of the business.

In February 1997, Susan was named GM/National Services and Emerging Markets, where she was responsible for the sales and marketing of national services for broadcast and cable, agencies, syndicators and local cable system customers. In May 2001, Susan earned President and CEO stripes.

Today, Susan's carefully guiding the company through an extremely complicated period for the media industry. In addition to rapidly changing demographics, agencies demand more and more out of research while clients have mixed stands on the ways Nielsen should go about providing it. Also, the incredibly fast pace of technology is a mixed blessing—not only for established media, but for Nielsen as well. Rest assured, Susan is looking into each and every technology, and listening to a variety of concerns, to provide the best service possible for both sides of the desk. Here, she explains how:

What are your biggest challenges today?

I think there are probably three areas. The first one is making sure that we have the right technology at the right time to measure everything that's changing in consumer electronics and in the television business. Secondly it's the changing demographics and its obviously making everybody's life in research change, whether you're the census bureau or you're doing primary research. We do have a changing country and we have to be sure we are sampling the right people with that technology. The third thing is that our client's business, as a result of those two things changing a lot—whether they're at the buying side or the selling side—there's a lot of consolidation of our business and it's put a lot of pressure on a lot of clients' business models, which obviously has an impact on how they look at audience research and the value of their audiences, whether they're buying or selling. So there's a lot of pressure on all points in the business and I think that leads to the final challenge, which is how do you manage all of the change that's required to keep up with technology change, demographic change, business model change and at the same time have a stability in the currency so when people are buying and selling for the next season they have a sense of what the numbers are going to look like even if there are changes that have to be introduced in the interim? There's a lot of tension between improving and innovating things to keep up with change and having stability in the currency so that people can predict audiences for their estimates and for buying and selling.

How do you do this, while keeping everybody happy at the same time?

It's very difficult, as you can witness with all the things you read, because generally this is where Nielsen's role as an independent research company comes in. Because what we really have to do is look at what's required for both the quality of the research and the constant improvement in our technology requirements, and balance that with the business needs. And that is not an easy thing to do. It results in, anytime you make a large decision about a large change there are always people who are happy with it and people who are disappointed.

Agencies are pushing for LPM; some broadcasters are pushing against it. How are you pleasing both and getting the system rolled out?

As you know we have five markets that are up and operating right now with people meters and the process was in Boston to start to share information, to talk about the change and then to get support before we went into the next markets, which we did. Secondly, once we started producing information and sharing it with the industry people who had questions. So there's been a lot of time spent trying to answer questions about why there are differences in the ratings between the older system and the people meter system. We looked at a lot of metrics around the quality of the information like cooperation rates, like sample characteristics. There's common statistical ways of looking at whether a service is better or not and in each case what we had to decide was the people meter service better than what it was replacing? And in every case it is. A lot of the discussion and push back and controversy have been over changes in the ratings from the meter diary systems to people meters, and there are changes. So what we really try to do, again, is research, educate and communicate. And at the same time, listen, because there have been suggestions that have been very worthwhile about improving the service and the system which we've been implementing more quickly, I think, than we ever have in our history. You do have to listen but you also have to move forward because you have to have a currency in the marketplace for buyers and sellers that they all understand.

What other technologies are you looking at for measurement?
Well actually that's a broad list. Obviously we continue to work with Arbitron on the PPM because it has some real appeal for a number of reasons—from out of home to a measurement that would allow you to do radio and TV together. But we're also looking at other things like what we call a mail-able meter. It's basically the idea that we need a very cost-efficient way of electronically measuring TV in smaller markets and if we could mail something that people could just put on top of their TV and then mail back to us that might be a real win. So we're testing that kind of an idea. We are doing a number of things to help improve how we identify who's watching TV, because you can measure what's on the set in a fairly easy way, but it's the who part that's difficult. So one of those ideas would be people could have a tag that would just identify they're there. We're looking at something we call Heuristics which is using information about the home so that, for instance, if you have one person living in a people meter home and they're always watching the same TV set, do we really have to prompt them who put the TV sets on to punch their buttons? Because for a large percentage of the time we know it's that one person. So we're doing some testing around whether or not we can properly identify specific people without them having to actually push in a people meter button as often. We're looking at a lot of technologies to actually verify that people meters or any other technology are right, are accurate and those of the kinds of things—like image recognition—which are really more about can you validate when you're testing a new method, that it's actually working?

But the idea really is we have the active/passive meter and the people meter. We have diaries, obviously, because in many, many markets that's the most cost efficient way to do that today. We have testing with PPM. We have testing with mail-able meters. We have testing with combinations. We're looking at what kind of information we can supplement from set top boxes. It's not a total replacement, but is there other information we could get if someone's in our panel and has set top boxes? And we just announced that we expanded our agreement with Time Warner so that we could actually evaluate that. Not in all set top boxes but in the ones in which we have sample homes. So I think there's a lot going on here. Again, we'd have to show results to clients. They'd have to understand it, the business model would have to work. But the idea is to get more and more information electronically, that's the goal.

Your recent meeting with national clients in Miami—what concerns were top on the list?
I heard from a lot of different people that we're all under a lot of pressure because of all the change in the business and how could Nielsen help finance, analyze and interpret all the information that's coming back at all of us about this change. So how can we summarize what we see and make it valuable and interesting and insightful for clients? That was a really common theme. Another request was that actually we consider rolling out our active/passive meters, our new meters, more quickly because there's an increasing demand for measuring video on demand. Video on demand requires our new meter, and as more and more of our clients whether they're TV stations or broadcaster, or cable or MSOs, are looking at video on demand, we were asked to speed up that plan and that's one of the thing we're coming back to clients with in the next 90 days. So I think it was a very good exchange there were a lot of questions about the initiative. There was lot of discussion about things like video on demand and DVRs and that's basically what we talked about at the meeting.

What is your opinion on attempts of some in congress to get involved in oversight rating services?
Well obviously we feel that we have worked with the MRC for over 40 years, that point to very specific initiatives every year that are results of our working with the MRC to improve audience measurement. They're intimately involved in everything we do from a process point of view, and of course the MRC is made up of committees of all of our clients. So we feel that that's going on at the level it needs to and that we don't need additional oversight. The plan in place is very effective. One of the things that is so concerning about that request for more oversight is that we really feel that working with our clients directly in negotiating their contracts and working with the MRC and working with industry groups, we have a much better dialog than inserting another third party at a time of intense change in the business. I can't imagine how inserting another body into the discussion would speed up the responsiveness in the television business to change.

I also think that that process could actually be politically manipulated. And I think people need to understand that. So obviously our position is that we don't need anybody else involved, that we have a lot of transparency and oversight now and we know the "Don't Count Us Out," which is of course funded by News Corp., has taken this position and that's been their position all along.

[Editor's note: On 4/6, The Federal Trade Commission responded to Congressional letters that were sent to them regarding Nielsen Media Research's roll-out of Local People Meters. The FTC determined conclusively that allegations of misleading or anticompetitive behavior by Nielsen are "groundless." They also said that a self-regulatory approach, like Nielsen's, can work better than government regulation.]

There's Good News and There's Bad News…

By Doug Stephan, host, "Doug Stephan's Good Day," and "The Talkradio Count Down Show"

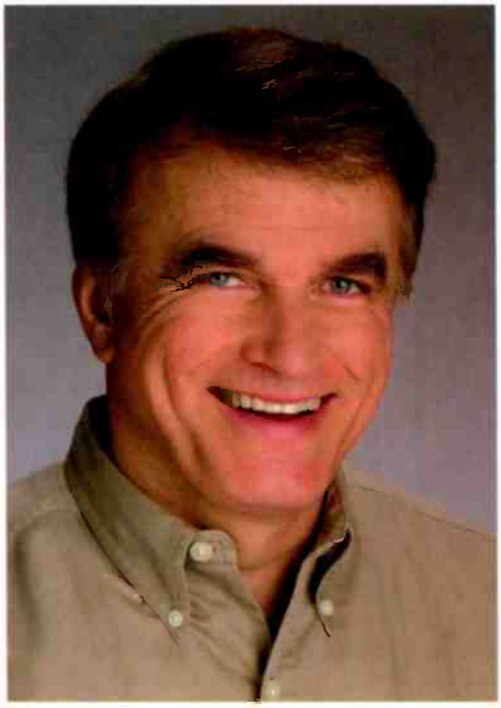
The Good News: Lately, I'm spending a fortune on fax paper and receiving tons of emails.

The Bad News: Radio programming bottomed-out. With too many commercials and not enough local programming, we held the door open to competition from satellite radio, iPod, and streaming audio.

The Good News: As an industry, we now know we blew it. Radio's biggest owner is attacking clutter, some competitors are following suit, others who didn't won't sound as good.

The Bad News: Many Talk stations sound like nobody's home. I travel LOTS, visiting affiliates and remoting my show from wherever I can find an interesting story. In my travels, I hear lots of radio. Too often, on Talk stations, I hear two commercials airing at the same time. The automation hiccupped, and nobody's there to yank one spot off the air. Both spots play to conclusion. What message does that send?

And local news? All but extinct since consolidation. Too many owners act like nobody's listening to their Talk stations, which becomes a self-fulfilling prophecy.



The Good News: Smarter owners are reinvesting in their News/Talk AM stations. A dollar wisely spent on a News/Talk AM can make your sales department happier than a dollar habitually spent defending the sister FMs against iPod. Interesting local news is radio's silver bullet against all these techy new competitors who are chipping away at our audience.

But by "reinvesting," I don't just mean throwing money at the station. The News/Talk stations that impress me are stations that management spends lots of time THINKING ABOUT. The only things more valuable than your hard-earned expense budget dollars are your time and creativity and resourcefulness. Just THINKING ABOUT your News/Talk AM more, and tending to it like it really matters, you can make your station more engaging and relevant and useful to listeners. That's why I'm glad to be spending so much on fax paper lately.

I'm always impressed when stations ask me for support. I record spec spots for affiliates to pitch local advertisers, FREE, whenever an affiliate is smart enough to ask. But too few affiliates even ask syndicated hosts to read promo copy. If more did, shows like mine would sound more like part of the station's own on-air family. My affiliate WKLZ/Kalamazoo sends me a PILE of copy every month, and my voice is heard through their entire broadcast day. It's a very cool idea, it's free, and it's the kind of resourceful thinking that makes it fun to make my workday longer.

The Bad News: Talk radio has, for years, left half the audience out of the conversation. We've been a man show.

The Good News: After years of politically-correct predictions from convention panelists, Talk radio is now actually walking-the-walk about talking to women. And it's not just well-intentioned tokenism. Talk for women doesn't necessarily mean women hosts (any more than talk for men can't be BY women hosts). I am told that women comprise a higher percent of the audience for my morning show than for any other syndicated show. Conversely, smart stations and syndicators will identify women that men want to listen to.

The Bad News: For years, Talk radio subject matter has become predictable. Republican-leaning hosts think you're a bad person if you disagree.

The Good News: Lately, to my ear, there's less name-calling and nastiness. Recently, when **Sean Hannity** appeared on The Talkradio Count Down Show, he told me how he taking issue with the President. Other conservative talkers are disagreeing, agreeably, with the Bush plans for Social Security reform. Admittedly, Talk radio is theatre. But shedding more heat than light reduces us to a lounge act. Meaningful dialogue can bring real change.

The Bad News: If you do commit the think-time to making your AM News/Talk station more engaging and informative local-sounding and relevant and useful and unpredictable, you end up with more ideas than dollars to implement them. The Good News: Smart syndicators will roll up their sleeves to help you craft a resourceful solution. I can always buy more fax paper and read more emails.

Doug Stephan hosts "Good Day," weekday mornings in 425 markets; and "The Talkradio Count Down Show," weekends on close to 200 stations. For more info, see www.DougStephan.com/affiliate/

The Local Public File:

Contents and retention periods

By Gregg Skall

Operating commercial stations are required to retain the following materials in their local public inspection files:

Authorizations and Contour Maps. The station's current FCC authorization, with any modifications or conditions and any service contour maps submitted with any FCC application. Other information in the application showing service contours or main studio and transmitter locations must also be included. They must be retained so long as they reflect current information about the station.

Applications and Related Materials. All pending FCC applications. Applications need be retained until final action on them, except that applications granted subject to waivers must be retained as long as the waiver remains in effect. Short term renewals must be retained until grant of the next renewal application becomes final. Documentation of local public notices (broadcast and newspaper) must be retained for the same period as the renewal application.

Citizen Agreements. Copies must be retained in the file so long as they are in effect. These agreements include those affecting goals or proposed station practices, such as programming and equal employment opportunities.

Time Brokerage Agreements. Both the brokering and brokered station must place a copy of the agreement in their respective public files while it is in effect. Proprietary information may be redacted.

Joint Sales Agreements. Agreement for the joint selling of advertising time must be placed in the public file while the agreement is in effect. Proprietary information may be redacted.

Other Contracts. Licensees must include in the public file a copy of all contracts required to be filed with the FCC or an up-to-date list identifying them, in which case copies of the full contracts must be provided to requesting parties within seven days.

Class A TV Each quarter, Class A TVs must include documentation to demonstrate that the station broadcasts a minimum of 18 hours per day, of which at least 3 hours per week is locally produced programming; to remain in the public file until grant of the next renewal becomes final.

Children's Programming Reports Quarterly reports on FCC Form 398 placed in each TV station's public file by January 10, April 10, July 10 and October 10 of each year; to be retained until grant of the next license renewal becomes final.

Ownership Reports. Only the most recent, complete ownership report need be kept, with annual certifications of continued accuracy. They must be kept until replaced by a new, complete report. (Note: all ownership reports must be filed electronically) The Ownership Report requires a listing of contracts relating to ownership and capitalization. Some examples are the company's Articles of Incorporation and Bylaws, and any stock pledges, subscriptions, proxies, trusts, other agreements that affect voting rights or ownership or that could do so in the future, time brokerage agreements and agreements providing for management by non-owners or managers sharing profits and losses. FCC rules also require filing copies of any documents listed.

Issues/Programs Lists, Children's Television Programming Reports (TV Only) and Records Regarding Children's Commercial Limits (TV Only). All of these must be retained until grant of the next renewal application becomes final. Issues/Programs lists must be placed in the public file on January 10, April 10, July 10 and October 10, reflecting public affairs programming for the preceding calendar quarters. Lists are to be retained until grant of the next renewal becomes final

Letters and e-mail from the Public. Written comments and suggestions received from the public regarding station operation must be retained for three years. This includes e-mail communications, which may be stored either on paper or in a computer file; if by computer, the station must provide public access either through a computer terminal or with a copy on computer media. Licensees may retain one sample copy of identical communications, together with a list identifying all parties who sent them.

FCC Investigations or Complaints. Materials relating to the subject of an FCC complaint or investigation must be retained until the licensee is otherwise notified by the FCC.

Political File. Political file materials must be retained for two years.

Must Carry or Retransmission Consent Election (TV Only). These materials must be retained for the duration of the three year period to which the election applies.

EEO Public File. On each anniversary of the date of filing a renewal application, licensees must place in their local public inspection files (and post on their websites, if they have one) the following information covering hiring and activities during the preceding year:

The job title of all full-time hires; The name, address, contact person and telephone number of each recruitment source used to fill each vacancy (including each organization entitled to Prong 2 automatic notification); The recruitment source that referred each full-time hiree; The total number of interviewees for each full-time vacancy with the number of interviewees referred by each recruitment source; and A list and brief description of each supplemental (Prong 3) outreach initiative undertaken.

EEO Public File materials are retained until grant of the next renewal or license assignment becomes final (post only current report on website).

The Public and Broadcasting. June, 1999 ed. The document is available for downloading from the Media Bureau web page at http://www.fcc.gov/mb/.

Related Material. All exhibits, letters and other documents filed with or received from the FCC pertaining to an application, report or other document filed with the FCC, and any materials incorporated by reference and not otherwise maintained in the public file.

Local Public Notice Announcement. Certification of the dates, times and texts of pre-filing and post-filing broadcast announcements relating to license renewal applications. Retention Period: Until final action on the renewal application to which they refer.

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ENGINEERED FOR PROFIT

[Editor's note: Continental Electronics debuted its new HD Radio transmitter at the recent NAB2005 Show in Las Vegas. Here, Continental Broadcast Marketing Manager **Bret Brewer** talks about it and explains why they waited to get in the HD game until now.]

HD Radio and Continental Electronics

By Bret Brewer

The market for digital radio transmitter products is quickly approaching mainstream status. By that we mean that digital radio is clearly a technology that the radio industry needs and wants now. With the FCC authorizing deployment of HD Radio created by iBiquity there are no regulatory issues hindering the adoption of digital radio in the U.S. There remain, however, certain technical and cost issues.

Continental Electronics has always had a reputation of being a premier manufacturer of proven broadcast technologies, both domestically and worldwide. Since the companies' inception, CE has been a major player in the development and manufacture of cutting-edge technologies and continues to pursue promising technological innovation. Given the marketplace demand for HD Radio transmitters, CE is well positioned to continue the legacy of providing the right product at the right time.

Over the past year, we've met with regional group owners, station managers, and local engineers to get their opinions about HD Radio in general and to find out what problems they face in deploying this new technology. During these meetings we have often been asked, "What will you be introducing for IBOC, and when will you be introducing it?" With the recent agreement between Continental Electronics and iBiquity, the question can now be answered. The reply to the question of when is fairly straight forward; at this year's NAB show in Las Vegas. However, the question of what we will introduce is the more interesting question, and worthy of the following explanation.

After our discussions mentioned above we realized that HD Radio has been somewhat more complicated that we feel is necessary. We have been building digital transmitters for several decades and we think that "digital" should not necessarily equal "complicated and costly". We believe that there must be a better, more elegant, less technically complicated, and less expensive way to broadcast combined analog and IBOC signals. At NAB 2005 we have introduced our FM solution that we feel meets these goals.

CE's 816HD

To date, the most common FM installations center around the inefficient use of two non-compatible transmitters using an extremely lossy combining system. The next most common systems use separate transmitters and antennas, which although much more efficient, come with the additional expense a second antenna, additional transmission line, more filters and isolators, and expensive tower modifications to mount the required IBOC antenna. Adding to the expense of both of these scenarios is the fact that high power linearized solid-state transmitters are inherently very inefficient, sometimes less than half as efficient as an analog transmitter, and is an additional expense that extends throughout the life of the transmitter. We refer to this as the pay-me-now ***and*** pay-your-utility-forever path, and we do not believe that cost-conscious broadcast owners will accept these solutions as anything more than a way to get into IBOC quickly. They are, we believe, short-term, not long-term, solutions.

Continental Electronics is offering a "more elegant" solution with the introduction of a transmitter that is capable of broadcasting both analog as well as digital IBOC signals using a single transmitter, and does this with excellent efficiency. The legacy design of our 816HD transmitter builds on the most trusted and proven FM transmitter manufactured, our 816R series transmitter. It is a single tube transmitter, very similar to the one that you have trusted to broadcast your class B, C1, C, and C0 signals for years. However, the transmitter design includes important upgrades in order to wed analog and digital technologies. The 816HD has been proven in lab tests to meet all HD Radio performance specifications. This transmitter is suitable for analog powers ranging from 10 to 50kW TPO. Other than the transmitter, there are virtually no other upgrades required. Because stations will be able to use their current transmission line and antennas, analog pattern duplication is guaranteed.

In summary, we are offering broadcasters simplicity and efficiency, wrapped in a more elegant solution. And, if you currently own a recent vintage 816R FM transmitter, you may be able to upgrade your Continental transmitter to this new design. If your current FM analog broadcast system requires 10 to 50kW TPO, the 816HD transmitter plus a new IBOC signal generator and a HD Radio license from iBiquity will allow you to use your existing building, antenna, and tower with little or no modifications! We believe this WIN/WIN solution promises to quickly advance the rollout and acceptance of digital broadcasting.

While digital conversion challenges and uncertainties still remain; i.e. ROI, receiver availability, and technical challenges to AM broadcasting, Continental Electronics is strongly committed to working with iBiquity and broadcasters to justify a speedy and cost-effective conversion to HD Radio. The employees of Continental Electronics are dedicated to broadcasting and developing broadcast technology that works. You should continue to "Expect The Unexpected", contact Continental Electronics.

RAB releases white paper on HD Radio

The RAB recently developed a White Paper on HD Radio, which details where we are with HD Radio and where we're heading. The White Paper also lists some of the revolutionary features HD Radio holds for consumers and advertisers. Here are some excerpts:

The benefits of HD Radio Technology?

There are a host of new benefits that HD Radio technology provides with the upgrade to digital broadcasting:

- Enhanced sound fidelity
- Upgraded audio quality
  - AM digital will have FM audio quality
  - FM digital will have CD audio quality
- Improved reception
  - static-free, crystal-clear reception, without pops, hiss, or fades
- Advanced data and audio services:
  - surround sound
  - multi-casting (multiple audio sources at the same dial position)
  - on-demand audio services
  - store-and-replay (listener store a Radio program for replay later)
  - overlaying real-time traffic information on a navigational map
  - a "more information" button
  - a "buy" button
- New wireless data services
  - scrolling text displayed on Radio screen including song titles, artist names, traffic updates, weather forecasts, sports scores, and more.
- A unique and easy conversion process
  - no service disruption
  - same dial position
  - maintain station brand equity
- A seamless transition for consumers
- Smooth evolution to a digital Radio world
- It's FREE! No subscription fees.

HD Radio levels the playing field with other digital technology, allowing stations to compete more aggressively for Time Spent Listening (TSL) and share of audience. It provides new revenue streams in the way of banner ads and scrolling text messages. Plus, with highly specialized programming on alternate channels, stations can deliver tightly targeted audiences, creating more opportunities for advertisers to integrate their brand with program content and connect even deeper with their customers.

MEDIA MARKETS & MONEY

By Jack Messmer / jmessmer@rbr.com

2005 off to a slow start

If you were hoping that 2005 would be the year to mark the end of the advertising recession and see robust growth resume, you'd better be banking on a gangbusters second half. So far, all indications are that 2005 will be an OK year (compared to what's happened recently), but nothing to write home about.

It was pretty much a given that TV revenues would take a hit this year, without the recurrence of last year's federal elections and (for NBC stations) the Olympics. All in all, 2004 ad revenues were up 12% as tallied by the Television Bureau of Advertising (TVB). But ad growth is far from impressive even after adjusting for those factors.

For radio, which booked only 2% growth last year according to the Radio Advertising Bureau (RAB), this year is so far looking like more of the same, despite a prediction by Universal McCann guru **Bob Coen** that radio will grow revenues 5% this year. (We note that he was off the mark to the high side last year.) When asked about prospects for 2005, **Joel Hollander**, CEO of Viacom's Infinity Radio noted the Coen forecast and said he'd be thrilled to see it happen—but he made no promises.

Rather, radio has started 2005 off with a drag from Clear Channel Radio's "Less is More" (LIM) campaign to reduce clutter and (eventually) create upward pressure on rates.

"We're leading the radio industry through a profound metamorphosis," Clear Channel CEO **Mark Mays** declared as he touted the LIM initiative during the company's quarterly conference call. But change is not without pain. While the company is no longer giving specific quarter-by-quarter guidance to Wall Street, Clear Channel officials acknowledged in the February 28th call that radio revenues were then pacing down 5.6% for Q1. Of course, if the largest radio group of all is down that much, it's going to be hard for the radio industry as a whole to post any growth at all until LIM achieves its objective of pushing rates higher.

Clear Channel Radio CEO **John Hogan** acknowledged that LIM is holding down revenues in the short term. [**AUDIO LINK]** He said, though, that sell-out rates are improving month-to-month under LIM. Also, there is upward pressure on prices. Hogan said prices now are higher than a year ago for :60 spots, :30s, :15s and the premium first-in-pod spots. Asked by one analyst whether advertisers have sought to negate the cost of first-in-pod by seeking discounts for lesser positions, Hogan insisted, "We have not gotten pushback." He insisted that all spot positions now are better than a year ago because Clear Channel's pods are now no longer than four minutes or six units on its music stations.

But while Clear Channel is lagging and working to get its house in order, some other radio groups are more upbeat about the immediate future. January revenues were up 7% and pacings were about the same for February and March, Entercom officials told Wall Street. But rather than setting the bar too high, they were predicting that revenues would be up 5% for the quarter. CEO **David Field** had a lot to say about strong Q1 pacings, an improvement in ad demand and the impact of industry initiatives to boost radio, along with LIM. "We have experienced a steady, significant improvement in business conditions over the past couple months and are increasingly optimistic about 2005," he said. [**AUDIO CUT]** Field added that Entercom's gains were not coming as a result of spillover due to LIM, since pacings in Entercom's markets where Clear Channel is not a factor are similar to those where CC Radio is.

After beating expectations in Q4, Cumulus Media CEO **Lew Dickey** was promising Wall Street more of the same in Q1—revenues gaining 3-4% on a same station basis. In answer to a question from Deutsche Bank analyst **Drew Marcus** during the company's quarterly conference call, Dickey said demand is improving month-over-month—and that's before seeing any real impact from LIM. [**AUDIO LINK]** Dickey did say, however, that his company is seeing more advertiser demand for 30-second spots. "It's pretty intuitive. When Clear Channel is out there talking about the value of 30-second announcements, and working very hard with their sales staff to create demand for them, naturally they're going to gain traction on that front," he said.

But with local sales powering growth at Cumulus, the CEO expressed some frustration that the national rep firms aren't as aggressive in going after new business as his own local sales teams. "It's a business that has been structured over time to be very reactive and to really take advantage of avails—and new business is defined as when an agency goes out and lands a new account and we call on that agency, that becomes new business," he quipped. Dickey said his comments weren't intended as an indictment of the rep business, but rather something that needs to be changed. "It's a behavioral change that needs to take place inside of these organizations to go out and aggressively call on new business and it's just not something, quite frankly, that they're set up for," he said.

There was some good news for radio, though, as Q1 drew to a close. "The last two weeks of March were two of the strongest last two weeks of a month we have seen in a long, long time. Radio One saw its net broadcast revenue (before taking into account the impact of its acquisition of Reach Media) grow in excess of 10% in March, capping off a successful first quarter. We feel good about our prospects based on current business conditions," said Radio One CFO **Scott Royster** in an announcement raising the company's guidance for the quarter.

Radio, however, isn't facing the tough comps that TV has to deal with in 2005 because of last year's dual windfalls from political advertising and the Olympics.

After reporting that Q1 broadcast TV revenues were down 5.1%, Gannett CEO **Doug McCorkindale** told analysts to expect more of the same in Q2. [**AUDIO LINK]**

The automotive sector continues to be a concern—and not just for broadcast. McCorkindale said auto was soft across Gannett's platform—newspapers and TV in the US and for its newspapers in the UK as well. With no political dollars flowing in this year, he's expecting Q2 TV revenues to be down in the mid to high single digits.

Even so, not all TV groups are pacing in negative territory this year. After pushing hard to eek out a 1% revenue gain for TV in Q1, Media General is preparing repeat that magic in Q2. The company is telling Wall Street to expect a small increase in broadcast ad sales over last year. "For the Broadcast Division, while time sales are expected to be slightly above last year's second quarter, driven mostly by local transactional sales, segment profit will be down from last year. The major contributing factor will be the expense necessary to generate new revenue growth to offset the absence of political and Olympics revenue," the company said.

LIN TV was telling Wall Street to expect Q1 revenues to be flat to slightly down from a year ago. But for the full year CEO **Gary Chapman** is determined to replace all of last year's $25 million in political advertising and the Olympics boost that LIN's NBC affiliates got, so he's not joining other groups in predicting a down year. [**AUDIO LINK]** In spelling out how LIN will replace all that revenue this year, Chapman said some will come from the company's core advertising sales, but he also points to such initiatives as MTV Puerto Rico, which recently launched in a deal with Viacom, and WAPA America, which currently carries programming produced by LIN's San Juan, Puerto Rico station on DirecTV. Chapman said a deal will be announced later this week with a major US cable MSO to also carry WAPA America. Also, he said, Internet revenues should more than double this year to over five million—which is "almost all new money," Chapman noted.

Viacom says it expects to deliver mid single-digit growth in revenues and operating income and high single digit growth in earnings per share in 2005. Co-President/COO **Les Moonves** sees TV growing gangbusters, with CBS on a ratings upswing and its O&O stations getting a boost from the network's strong performance. But after reporting a flat Q4 for radio, he's keeping expectations low. Moonves said most radio groups were expecting only modest growth in Q1—and that's all he was expecting for Infinity.

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CHICK'S CLIQUES

A look at the new Connoisseur

Jeff Warshaw sold the bulk of his first radio group to Cumulus for $242M in a deal announced in December 1999. With the help of broker **Michael Bergner**, he has come back with a deal for KTCM-FM Kingman KS, which is part of the Wichita KS market. The station, coming for $1.7M from **Maria Salazar**, will actually form a duopoly with an as-yet-unbuilt station earmarked for construction in Augusta KS on 100.5 mHz. He acquired that station with a winning bid in last fall's FM Auction No. 37, along with nine others.

It looks like all of his stations will be, at worst, within easy driving distance of established Arbitron markets. Here's a closer look.

- 107.7 mHz Pacific Junction IA: the town is just down the Missouri River (or I-29 if you don't have a boat) from Omaha-Council Bluffs.
- 105.9 mHz Patterson IA, 96.3 mHz Pleasantville IA: Both stations are in the Des Moines area.
- 97.9 mHz Heyworth IL, 10.7 mHz Normal IL: Both stations are in the Bloomington market.
- 105.9 mHz Joliet MT, 106.7 mHz Lockwood MT: Joliet is a few miles southwest of Billings, and Lockwood, for all intents and purposes, is part of Billings.
- 102.7 mHz Box Elder SD: Part of the Rapid City market.
- 97.9 mHz Kenova WV: Part of the Huntington WV-Ashland KY market.

EMF shopping spree continues

The K-Love Contemporary Christian Network is continuing to expand, courtesy of its non-profit owner Educational Media Foundation. **Greg Guy** and **Summer Foust** of Patrick Communications have helped the group move into Baton Rouge with a $3.2M deal for WQCK-FM, licensed to nearby Clinton LA. Although not in the reserved band, the station is close, at 92.7 mHz. And the audience should be primed for EMF's format—it's already doing Contemporary Christian under seller **Larry D. Stockstill's** Bethany World Prayer Center Inc.

EMF has also found two new unrated markets to expand into, but it'll have to bring its screwdriver. It's getting a pair of licenses, each for the bargain basement price of $25K, but it'll have to go to the trouble of building them. Both stations are coming from Broadcasting for the Challenged.

One of the stations is KHCO-FM Hayden CO. It's in the northwest quadrant of the state between Steamboat Springs and Craig. It's a Class C3 licensed for 90.1 mHz with 10 kw @ 522'. The other station is WTNN-FM Union City TN, also in the northwest quadrant of its state not far from the border with Kentucky. It's a Class A on 88.9 mHz with 6 kw @ 115'.

Cumulus spins off Virginia orphan

WBWR-FM Bedford, smack in the middle of Roanoke and Lynchburg, is going to be the fourth FM in the far-flung market for Centennial Broadcasting. At the same time, it snips off what for Cumulus is basically a loose end. **Frank Boyle**, who engineered the buy for Centennial, said, "It's a win-win for both Cumulus and Centennial. WBWR-FM is a Cumulus singleton - - 65 miles from its New River Valley roup Mother Ship in Blacksburg - - with Roanoke in between. Bedford is sorta half way between Roanoke and Lynchburg—with good signal into Roanoke."

So **Allen Shaw's** Centennial gets an extra outlet in its battle v. Clear Channel and **Mel Wheeler** clusters, and Cumulus clears out a station it had little use for—in fact, it was in the odd situation of simulcasting a station from the aforementioned smaller market, WBRW-FM in Blacksburg. Bringing a more localized approach to the station's programming should also be a win for local listeners.

Centennial will pay $1.9M for the station, putting it into a cluster with WZZI-FM Vinton and WZZU-FM/WLNI-FM Lynchburg. It will also spin WMNA AM & FM Gretna VA, well to the south of the market, to Burns Media. Cumulus came into WBWR-FM when it bought New River Radio last winter.

Washington Beat, special southern edition

A Washington NC AM station is changing hands, according to broker **Zoph Potts** of Snowden Associates. **Troy Dreyfus's** Pirate Media Group is buying WDLX-AM from NextMedia Group Inc. for $400K. The 930 kHz News-Talker will join Pirate's WGHB-AM Farmville in a format-compatible duopoly—the Farmville station is doing Talk-Sports, according to a BIA Geographic Market Definition report accompanying the transaction paperwork filed at the FCC.

RBR observation: These stations are part of the far-flung Greenville-New Bern-Jacksonville NC market—they used to call it Coastal Carolina—and stations which cover its full length and breadth are few and far between. As such, NM is running a supersized ten-station cluster (three AMs, seven FMs) courtesy of "grandfather." This grouping was perfectly legal under the old contour rules, but it's two over the limit under the new regime. It can stay together as long as NM owns it, but cannot be sold intact. BIA credits the market with 50 stations, meaning it supports an eight-station cluster with a five-station max in either service.

So, is NextMedia selling off parts to enable a resale? Well, if they are, this won't help. The AM side of this cluster is perfectly legal under either set of rules—to resell, two FMs would still have to go.

Another FM on the Lotters lot

Paul Lotters' Capital Media Corporation is getting WZEC-FM Hoosick Falls in a $1.1M dollar deal with **Bruce Danziger's** Great Northern Radio. The station forms a technical duopoly with WMYY-FM Schoharie, but it wouldn't have registered as such under the old market definitions.

Both stations are Class As with just over a kW between them, and both have a significant amount of terrain between their city of license and the center of the Albany-Schenectady-Troy Arbitron market to which they are attributed. Add to that the fact that WZEC is well to the east of the market, while WMYY is well to the west, and you can credit Lotters with expanding into new territory rather than increasing sticks in his existing territory. He does have one station more or less in the center of the market, WHAZ-AM Troy.