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When Will Online Measuring Begin?

Is PPM Accurate? Are Diaries Antiquated?

Will Nielsen Measure Pandora?

What is Nielsen's Plan For Radio?

FARSHAD FAMILY, SR. VP LOCAL MEDIA PRODUCT LEADERSHIP AT NIELSEN CO.

PLUS

7 Steps to Quality Appointments

After Nearly Shutting Down, WSHU Turns 30


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-Farshad Family

IN THE ISSUE

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Our Mission: Radio Ink's role is passionately to empower radio management to be more successful by providing fresh, actionable, reality-based ideas, inspiration and education in a quick, easy-to-read, positive, pro-radio environment.

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FROM OUR CHAIRMAN

Is Nielsen Committed To Radio?

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"Of course," you say in response to that question in the headline. "Why else would Nielsen buy Arbitron?"

Since the purchase of Arbitron so far, I've seen little real evidence that Nielsen is committed to radio. To be fair, the company hasn't had much of a chance yet; the purchase only closed in September. But there are rumors afoot that the Advisory Board meetings are soon to be discontinued, that support of industry events and organizations will be curtailed, and that this could become just another example of a giant monolithic organization that wants to reap the rewards without putting something back into the community.

Arbitron was probably the most hated organization ever to serve radio. Though image campaigns and personnel changes over the years were designed to overcome memories of thuggish practices, overpriced services, and lack of responsiveness, Arbitron never changed much from the days when it was known as ARB — the time many feel it was at its worst. Arbitron kept sample sizes low, didn't seem to care about customer service, routinely ignored complaints and concerns, and avoided modern technology as long as possible — until it could invent a proprietary technology that reduced sample sizes even further, allowed it to keep panels in place for longer periods of time, and, as a side effect, disadvantaged certain dayparts and formats. Though Arbitron had some wonderful people, those people had to do business as instructed.

Nielsen, on the other hand, has a great reputation. It's adored by media buyers, and no one seems to question its data. Nielsen even committed two years to a failed attempt to win support in the radio industry with its own radio ratings service. And when that failed, it did what any self-respecting giant company would do: bought its competitor, cleaned house, and is making noise about being better than Arbitron was ever willing to be.

Many wondered if Arbitron's much-touted PPM ratings were truly accurate, especially since there were MRC accreditation problems — problems that never seem to have been corrected. And we all watched PPM destroy formats and dayparts and turn many markets upside down.

The elephant in the room was whether Arbitron, supported almost entirely by radio, was somehow manipulating the numbers to be sure radio ratings would stay acceptable no matter what — even at a time when many believed listeners were making a dramatic shift to streaming services. If the PPM had immediately reflected a severe drop in listening overall, radio might very well have found it no longer needed to support Arbitron.

Will Nielsen be better? Frankly, it shouldn't be that hard to improve on Arbitron's performance. But one would hope it turns out to be significantly better, with extended measurement, better samples, more credibility, and of course measurement across the digital landscape. Radio is in a quandary when it comes to ratings. There is only one primary ratings service, and if it screws up, radio loses. From Nielsen's perspective, if radio doesn't turn out to be a good business, I suppose it can simply move on and focus on its other customer bases without, relatively speaking, the business being much of a loss. And radio would be left without a primary ratings service, leaving it highly vulnerable.

The reality is that Nielsen offers a tremendous amount of hope because of its credibility, its reputation for positive business practices, and its wide ratings platform. But a new elephant in the room is digital ratings, and whether services like Pandora will be included so there can be an accurate portrayal of listening across all platforms, reflecting reality and using exactly the same metrics. That would prevent Pandora or others from promoting their own internal numbers, or at least let radio show advertisers more credible numbers from Nielsen.

Radio might find itself able to prove its claim that digital listening levels are very low in the grand scheme of things. Or the opposite could turn out to be true. What matters is that audio listening is reflected properly. If broadcast or streaming radio find themselves with fewer listeners than they'd believed, it's best to know so they can fight harder for their respective positions.

Will Nielsen be good for radio? Is it committed to radio? As my wife always says, "Don't tell me you love me, show me. Words are only words unless supported by actions." Most of us remember a time when there was an industry-wide, orchestrated effort to find alternatives to Arbitron unless it started listening to radio. The end result was the development of the Arbitron Radio Advisory Board and much greater involvement in industry events and forums. At least Arbitron pretended it was prepared to step up. Nielsen is being judged on all that now. Though it has no competitors and thus has giant leverage over radio, Nielsen needs to become a part of radio's community in order to have radio's full support and belief. INK

B. Eric Rhoads

B. ERIC RHOADS, PUBLISHER

ROY WILLIAMS
THE WIZARD OF ADS

Radio's Unused Strength

QUICKREAD

- People pay attention to the things that give them a sense of identity, purpose, and adventure.
- Most people will purchase what feeds their sense of identity — things that remind themselves and the world of what they are.
- Radio has the ability satisfy that hunger for identity. But does it have the courage?

The fans of a sports team are the members of a club. Their team gives them identity, purpose, and adventure. Political parties, too, give their members identity, purpose, and adventure. Religious organizations and book clubs give their followers identity, purpose, and adventure.

A grandmother adores her grandchildren because they give her identity ... purpose ... and adventure.

Radio alone among the media has the ability to reinforce identity, provide purpose, and advocate adventure.

But rarely does radio tap in to this power.

The Straight Dope (Cecil Adams) is an online answer man famous for providing insight into complex issues. Here's a question posted on his message board that he hasn't yet found time to answer, so I'll do my best to fill in for him:

"Why is Jimmy Buffett such a popular touring artist? He's had only a few hits, but he sells out every concert. Here in the Cincinnati area, his concerts are the first ones to sell out every summer at Riverbend and he has a huge fan base of Parrotheads. He even has his own satellite radio station and a restaurant connected to his fame, Cheeseburger in Paradise. So what makes him a permanent tour draw over a thousand other musical acts who have had the same level of radio success? Is it that he's successfully marketed his tours as a 'brand' featuring the concept of mellow music, good times, and summer drinking? Is it the constant touring? Is it dumb luck?"

My answer: Jimmy Buffett is an icon because he gives his audience identity, purpose, and adventure. Buffett is Captain Jack Sparrow, a lighthearted, good-timing cartoon pirate. He is sunshine and sand and bikinis and beer. He is freedom from worry. He is innocent mischief.

Jimmy Buffett represents a specific way of looking at the world. You agree with him or you do not.

The Grateful Dead also represented a clearly defined worldview, and their iconic status, like Buffett's, rose far above their talent.

Most radio stations allow themselves to be passively defined by their playlists. They lack the courage to plainly say, "This is what we stand for. This is what we believe in. This is how we see the world."

Most advertising is weak because it isn't written to persuade. It's written not to offend. Most radio stations feel generic for precisely the same reason. By trying to include everyone, the station attracts no one very strongly.

People pay attention to whatever gives them a sense of identity, purpose, and adventure. We define ourselves by our alliances. Radio, when it is courageous, steps forward and raises a flag to rally the members of a tribe.

Rush Limbaugh raised a flag, and it seems to have worked out pretty well for him.

Each of us is on a treasure hunt. The differences that separate us are found primarily in the things we value.

Abraham Maslow believed a third of our society lives below the search for identity or above it. Those who live below the search are focused on securing food, shelter, and safety. This is their economic reality. Those who live above the search have a clear sense of identity and they know their purposes precisely. This is their emotional reality. Those who live above the search have adventures that depend on nothing outside themselves.

People who live below — or above — the search for identity are effectively immune to advertising. The first group can't afford what you're selling and the second group doesn't care. These people are rarely prospective customers.

Fortunately for businesses everywhere, two thirds of us buy what we buy to remind ourselves — and tell the world around us — who we are. These two thirds of society are the backbone of the economy. We have needs that have not been met, hungers that have not been satisfied, dreams that have not been fulfilled.

Radio stations have the power to meet those needs, satisfy those hungers, and fulfill those dreams.

But do they have the courage? INK

Roy H. Williams is president of Wizard of Ads Inc. E-mail: roy@wizardofads.com.

7 Steps To Generating More Quality Appointments

Ask almost anyone in sales, and you'll hear that the toughest part of the sales process today is setting quality appointments. It makes sense. There are more people selling out there than ever before, so when you pick up the phone and make that call, the odds are not in your favor.

Since we are going to talk about "quality appointments," let's make sure we're all talking about the same thing here. I define a quality appointment as a scheduled meeting, either in person or over the phone, at which the agenda includes one or more of the following: finding needs, getting an assignment, presenting ideas, or selling solutions. An appointment without an agenda is not a quality appointment. Neither is a call with the purpose of "checking in," "following up," or "stopping by." You will certainly have those meetings, but they cannot be defined as "quality."

So why is setting a quality appointment so hard? In an effort to better understand that, we studied the sales process and figured out exactly where the process is broken. We learned that most sellers maintain a lengthy list of about 120 prospects and attempt to contact each prospect once or twice over the period of about a month. Sellers reported landing as many as five or six appointments using this method, which seemed pretty good to them.

I hate to rain on anyone's parade, but let's do the math here: Two hundred and forty attempts, resulting in only six appointments.

There's a much better way.

Generate more quality appointments with three steps:

1. Select really good prospects. Instead of including just about everyone on your list, make a list of the prospects that best meet your ideal customer profile.

2. Plan your approach wisely. Instead of smiling and dialing, earn an appointment and make the prospect *want* to meet with you by doing some meaningful research and developing a strong valid business reason to meet.

3. Don't give up. Show up on your prospect's radar screen through persistent efforts. One or two calls a month just won't cut it.

The Don't Give Up Approach

The typical prospect is bombarded by 25 to 30 salespeople each day. They are overwhelmed, and with the advent of e-mail and voicemail, it's easier than ever for them to dodge calls. After all, isn't that what you do when a solicitor calls you at home in the evening?

The "Don't Give Up" approach works around that. Warning: While it is simple to understand, it takes great discipline.

You will have to commit to the following:

- Seven attempts in 16 days.
- Increased focus — calling on only the very best prospects.
- Excellence in preparation, professionalism, and persistence. Your phone calls, voicemails, e-mails, and letters must reach the highest quality standards, and your prep work and professionalism need to shine through during every attempt.

Here's what your "Don't Give Up" process might look like:

Day 1. Start by sending an e-mail, and attach a testimonial or case study. Mention that you will call at a specific date and time.

Day 3. Call at the time you said you would call, and be prepared to leave a voicemail. Follow up by sending your personal marketing resume.

Day 6. Make another call, and this time have some research ready to share.

Day 7. Send a letter and restate your valid business reason to meet.

Day 11. Send another e-mail, and this time speak to the process you follow to help people to get results.

Day 12. Call again and let the prospect know that if you don't hear from them soon, you will need to bring your ideas to others.

Day 16. Send one last e-mail. Give them a few times they can reach out to you.

Let's say you follow this "Don't Give Up" approach with 35 good prospects, reaching out to each one seven times over the next 16 days. Our research shows that your total of 245 attempts will reap the reward of 12 quality appointments — twice as many as you would have gotten the old way. And you would avoid burning through 120 potential prospects, easily leaving you with another 35 accounts to focus on next.

The "Don't Give Up" approach is not about making fewer calls. It is about applying more focus to your calls to get better results. Commit to it in its entirety, and enjoy watching your quality appointments increase. INK

Matt Sunshine is EVP of the Center for Sales Strategy. E-mail: mattsunshine@csscenter.com.

QUICKREAD

- Most salespeople use a call schedule that nets them five or six quality appointments after about 240 calls.
- A "Don't Give Up" approach can double the number of quality appointments, but it takes discipline and must be followed consistently.
- This approach involves much more frequent contact with fewer and more carefully selected prospects.

NEIL GALLAGHER MIKE ANTHONY

The 10 Commandments of Successful Ad Campaigns

The number one reason for listener tune-out in radio was once bad songs. Radio addressed that problem years ago with professional music research. The number two reason for tune-out has been bad commercials — so it follows that the most important innovation in the coming years will be the professional testing of radio media campaigns.

Following are the new 10 Commandments for doing it right:

1. **Thou shalt not worship false "experts."** Radio's clients routinely rely heavily on self-proclaimed "experts" for recommendations on how to advertise their products and services. These recommendations are gospel to clients — even if the results of their campaigns are unsatisfactory. These "experts" regularly tell us what constitutes good advertising. Unfortunately, simple research usually proves them wrong. We all see this repeatedly.

2. **Thou shalt honor thy clients and thy station's programming.** Radio must become the best medium at delivering results for clients if it is to prosper among today's myriad sexy media choices. Both clients and stations must "win" in order for a transaction to be successful. Bad commercials are a major tune-out for radio stations and don't work for their clients. Good commercials work for clients, sound good on the radio, and generate countless client renewals and referrals.

3. **Thou shalt not covet advertising awards.** They look good on the walls and are often used as sales tools — but they don't mean much beyond that. In a lot of cases, "good" commercials don't convey the message clients are trying to send to potential customers, send messages that are not attractive to those customers, or are simply disliked by listeners.

4. **Thou shalt not accept bad business.** Too small a budget or too big a spend on your station screws your clients. Too little investment, and the campaign will be ineffective; too big, and the client misses getting even more results by adding another station or medium to the mix. The need to reach quota or make a commission check should never supersede your client's campaign performance.

5. **Thou shalt determine thy client's true USP.** The reasons your salesperson or client believes people choose a product or service are not always accurate. Clients often tell listeners that customers choose them because of "their people." They are usually wrong. If a commercial's unique selling proposition does not provide a major "benefit sought" by the customer, it simply won't work.

6. **Thou shalt ensure the message given is the message received.** Here's the critical lesson that is most relevant for radio sales today. Programmers thought their stations' music was great, then discovered through research that, from the audience's perspective, it wasn't that good after all. The same occurs now with commercials: The message clients think is being delivered to their customers isn't the message received.

7. **Thou shalt test thy commercials.** The same lesson radio learned many years ago about programming music is relevant for radio sales departments today: Stations should look at song selection *only* from the target audience's perspective. In the future, commercials should be similarly tested to determine if the message sent is the one received, is strategically correct and enticing enough that customers will actually respond to the offer, and is illustrative of the target's thoughts about the brand — both positive and negative. It's a new, strategically significant arena.

8. **Thou shalt optimize all thy campaigns.** "Average frequency" of a campaign is misleading. Therefore, it's important to perform a frequency distribution analysis for campaigns to optimize the number of people who are effectively exposed to a commercial.

9. **Thou shalt admit when thou hath not the proper skills.** If you don't know how to analyse commercials properly for their effectiveness and schedule optimization, get help from someone who does.

10. **Thou shalt ensure that thy radio campaigns deliver on their promise.** Again, radio must be the best medium at delivering on its promise to generate the best results for clients. This is critical considering all the newer digital and social marketing initiatives available to your clients and bombarding their target consumers. The future of radio depends on it.

The single thing that will have the most significant impact on improving your station's relevance to the listener and generating more revenue is professional testing of radio media campaigns. INK

Neal Gallagher and Mike Anthony are co-owners of the Neal Gallagher Company.

Looking Out For You

Since coming to the NAB in 2009, President and CEO Gordon Smith has built a reputation among many in his broadcast constituency for savvy and determined leadership. Here, he shares some of his goals — and one that's not on his radar — over the coming years.

What are the biggest issues facing radio broadcasters over the next three years?

There is an ongoing debate within our industry about whether radio's future is radio chips on mobile devices or online streaming. I think that's a choice every broadcaster will have to make individually. NAB's role is to ensure regulators and lawmakers provide for both platforms to thrive.

Broadcasters' deal with Sprint has put the NextRadio app on millions of smartphones and drawn rave consumer reviews. This could provide a template for working with other wireless carriers to equip millions more radio-capable mobile devices. From a public-safety perspective alone, this would be a valuable resource during an emergency when the power goes out and wireless networks are congested.

Streaming apps have also become popular with listeners and a strong competitor to music services like Pandora and Spotify. There have been over 300 million downloads of iHeartRadio alone. The Copyright Royalty Board will be setting new streaming rates at the end of 2015, and there has been a push by record labels to impose onerous charges on radio stations for their online streams. NAB strongly opposes any effort to inflict costly streaming rates that threaten the future of radio stations' online streaming services.

Efforts to institute a performance tax on radio stations are also a constant threat to our industry. We will continue to educate members of Congress about the harmful impact a performance royalty would have on radio's ability, especially small and independent stations, to serve their local communities.

The FCC's quadrennial review of media-ownership rules is also woefully late. NAB believes a comprehensive review of the books would reveal many out-of-date regulations in today's world. The radio-newspaper cross-ownership ban is an example. If a radio station wants to buy a newspaper in its market and save journalism jobs and preserve investigative reporting, why would the FCC oppose that?

Lawmakers are also looking at tax reform legislation, and one proposal could have a devastating impact on local advertising. Draft legislation now in Congress would change how businesses deduct advertising expenses, which could cause thousands of businesses to pull back advertising dollars. With advertising on local radio having a stimulative impact of over $435 billion in GDP and generating over 600,000 jobs, any change to the deduction of advertising expenses would cause serious harm not just to the radio industry, but to America's economy as well.

Where does AM revitalization stand today?

I'm grateful to FCC Commissioner Ajit Pai for championing AM revitalization and applaud Commissioner Mignon Clyburn for opening this proceeding while acting chair. The FCC just finished its initial collection of comments on AM revitalization. The NAB submitted comments on a number of the commission's proposals based on member input, including the expansion of FM translators, the elimination of the ratchet rule, and modification of daytime and nighttime coverage areas, among others.

AM radio stations are valuable resources for communities throughout the country. They are a source of information during times of emergency and significant job creators. They also provide greater diversity in media — about two-thirds of minority-owned radio stations broadcast on the AM band.

Will the Local Radio Freedom Act ever come up for a vote?

First, let me thank the over 215 representatives and senators who have voiced their opposition to an onerous performance tax on the local radio stations on which their constituents rely. NAB continues to urge lawmakers to lend their support for the resolution.

Agreements reached in the past few years have radio groups paying performance royalties to record labels in exchange for lower streaming rates. These agreements are a sign that the private market is working and heavy-handed government intrusion would disrupt the free marketplace.

Do you have any yearning to run for public office again?

It was an honor to represent the people of Oregon, first in the state legislature and then in Washington in the Senate. I want to put the rumors to rest, though, and say I do not have a desire to return to public office. I would rather run for the border than for public office. I still have a desire for public service, and I fulfill that by advocating on behalf of America's free and local broadcasters. INK

Deborah Parenti is EVP/GM for Radio Ink. E-mail: parenti@aol.com.

What Does Radio *Really* Want From Nielsen?

Starting on page 14, you'll find our interview with Farshad Family, Nielsen's senior vice president, local media product leadership. Radio falls under his purview. Nielsen of course plays a vital role in the financial future of the many medium- and large-market radio stations that rely on accurate ratings to tell their story with by-the-numbers media buyers. Before our interview we asked 100 radio owners — some from our list of the 40 Most Powerful People in Radio list — as well as general managers and market managers in all market sizes what they need to see from Nielsen in the years ahead to make this new relationship a win-win for everybody. Here's some of what they told us.

Remove cost barriers and provide access to respondent-level data for client-licensed software vendors (CRM, traffic, etc.). That could further enhance industry-wide innovation around pricing and inventory-management solutions.

Listening of over 200 quarter-hours is considered "Super Heavy." Obviously stations have Super Heavy listening, which creates the P1 audience, but Nielsen should have a fail-safe system to flag listening beyond 200 quarter-hours, which will drastically affect a book.

Diary return should be consistent with the gender and age of the market profile.

ZIP code analysis. To be accurate, ZIP code runs should be analyzed over a three- to five-book period, but if there is heavy influx from one ZIP code during one rating period, Nielsen should investigate.

How can Nielsen Audio help the industry better understand listening behavior? We need a deeper understanding of in-car listening, weekend listening, cell phone usage, headphone usage.

A deeper dive into language weighting. Right now Nielson will not language-weight in markets with less than 20 percent Hispanic.

Diary weighting: Nielsen needs to pay close attention to ensure that males 18-34 are represented more effectively. This is the one demo that always gets undersampled.

One of my markets is a two-book rolling average. Talk about old data! Why measure the market at all? The inconsistencies are unbelievable and the data isn't reliable.

Bring PPM to more markets, ASAP. Two different methodologies is crazy. We have two different currencies, and it makes it difficult to talk to media buyers. We need uniformity.

A better job with language-of-preference research. They basically ask an open-ended question: "What is your language of preference?" The answer they get more often than not is English. Sometimes that's true, and sometimes it's because the respondents wants to fit in and think it's the expected response, or the respondent is nervous and doesn't want anyone visiting them. I've proposed asking about language of preference, where they buy groceries, three favorite TV shows, things like that. If the answers above are English, Ranchero Market, and three Univision novellas, do you think the English answer is actually correct?

My biggest issue is, why isn't it an app? Why do people have to carry a meter or write in a diary? It seems like there is a much better system using smartphones. And as far as a meter, there is no way I am carrying that thing on my suit. It just makes no sense to me. It's 2014. How do we not figure this out?

I don't think they adequately police who uses the data. I have three markets I subscribe to and my competitor subscribes to one. They use all three. I complain and they just never want to get involved.

When are the AM/FM ratings going to be one number between on air and online? It doesn't matter if they are engaging in our audio content on air or online: Listeners are listeners. We are quickly moving past separating the two. Plus we're too caught up in the semantics. We are in the content business, and the device that people choose to engage with our content is up to them.

I'd like Nielsen to allow Total Line Reporting for stations that simulcast 95 percent or more of programming vs. a strict 100 percent rule. Sports team "streaming" contracts sometimes prohibit stations from streaming games, and this prohibits some stations from getting TLR credit for stream numbers.

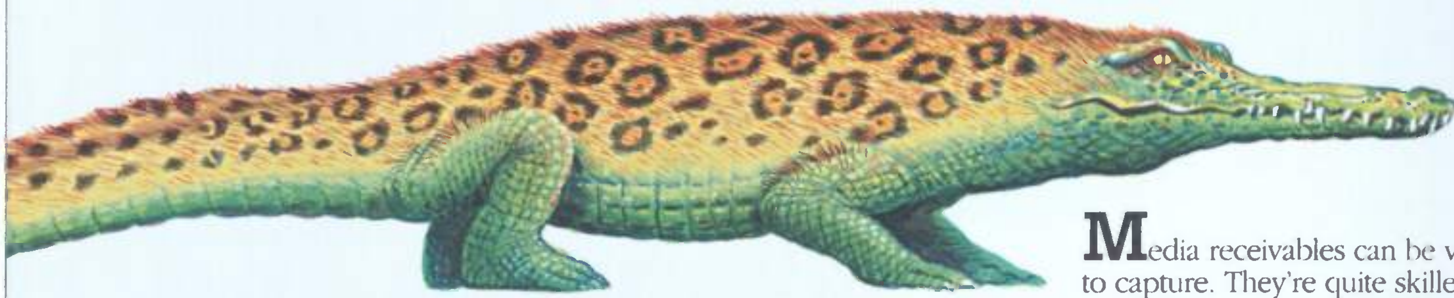
In today's technology-driven environment for audience measurement, transparency is key. We need knowledge of Nielsen Audio's ideas for improvements and an in-depth look at their challenges in our individual markets. Most of all, we need Nielsen Audio to focus on accurately measuring our listening when- and wherever it occurs.

One constructive change Nielsen could make would be to expand the dayparts, giving everyone a chance to make more money. That is, our morning shows start at 5 a.m. Why not 5-10 a.m., 10 a.m.-3 p.m., and 3-8 p.m.? This would give every company 10 hours extra per week — in our case, an extra 110 prime avails, and almost 450 in a month. This would make a huge difference in revenue.

I've had years of frustration with the arbitrary nature of the beast. We are the only business where you can have a great sales staff but not look like it because of the X factor, ratings. Conversely, you can have a mediocre staff or worse, a bunch of order takers, if you are 1 or 2 in the ratings consistently. How many good people have lost jobs because of poor ratings and thus poor revenue?

The PPMs seem clunky and out of date. With the explosion of over-the-air listening through mobile/portable devices, it would make sense to embed a certain number of wireless mobile devices with an encoder. We could greatly increase the sample size as well, and it could simultaneously measure on-air and online listening.

We don't subscribe. But I can tell you they need to scrap the diary system. Most people wait and then try to remember on Monday what they listened to last Thursday or Friday. They couldn't tell you what they ate five days ago, much less remember hour by hour which station they listened to. Secondly, they still use landlines to contact respondents. Landlines are quickly eroding, especially for people with household incomes over $75,000, and are almost nonexistent with households in the 18-34 range, so these format-friendly stations aren't getting properly recorded. Third: diary dumping. When Nielsen doesn't get their equivalent quota for a demo, they go back to the same area where they received the responses, which taints their data. And finally, weighting data. I only took a few statistics classes in college, but weighting data was a way to vastly skew results. We see constant bouncing of stations. I don't think listeners bounce as much as the numbers do. The methodology is antiquated and unreliable.



What Is the Nielsen Plan for Radio?

Photos: Marty Heitner — www.mheitner.com

In late 2012, Nielsen announced its plans to purchase Arbitron, radio's largest ratings service, for $1.2 billion. In 2013, after a somewhat lengthy regulatory review by the feds, the transaction finally closed in September. On hearing about the deal, radio owners and managers were hopeful that the much bigger company, with a tremendous amount of additional resources, would produce a better product for the industry. But they were also concerned that a company so large might swallow up Arbitron, push radio aside, and not put the necessary focus on improving the technology and products radio needs to help grow its revenue.

What the Nielsen hierarchy has said so far has pleased many decision-makers in our industry. Nielsen executives have stated how committed they are to radio and how confident they are in the sector. Right out of the gate they announced a 6 percent sample size increase in PPM markets, which obviously rubbed radio the right way. So far, so good. But we live in a "What have you done for me lately?" society, and with all the money radio stations plow into the ratings service, they want to see some action.

Nielsen has been working on several new projects that will provide stations with data on listeners they've never had access to before. It's also investing money in technology to improve the core measurement service while moving from diaries to Web-based measurement in some of the smaller markets. And, of course, there's the biggest project of them all, and the one product the entire radio industry has been waiting for: online and cross-platform measurement. When will Nielsen measure listening done on the Web, smartphones, tablets, and headphones? And will Nielsen measure Pandora?

Farshad Family is senior vice president, local media product leadership at Nielsen. He leads product strategy for Nielsen's local media business in the U.S., including local television and audio audience measurement. In this Q&A, he gets the radio industry up to date on what Nielsen has in store for radio.

Nielsen is a much bigger company than Arbitron. You have more resources. If I'm a client, what can I expect from Nielsen that I wasn't getting from Arbitron?

A couple of things. Nielsen made a big bet in radio and audio by acquiring Arbitron. It's a big business for us. We have a lot of confidence in the sector. That's why we made the investment. We want to support the industry. That's why we are making the investments in the core measurement service.

We want to expand the service that we're providing to our clients. That's why we want to move quickly and aggressively into digital audio measurement. That's why we want to move quickly and aggressively into making the link between what people are listening to and the products and services they are buying so that we can help radio ad sales. It is a vote of confidence in the sector. We want to continue to expand our relationship with our radio clients.

What do you see as the measurement challenges and opportunities for radio?

For us, there are three focus areas with audio and radio. The first is, we want to continue to invest in the core measurement service we provide today and improve it. Second, we know that measuring digital audio is important, and we want to launch that service.

The third focus area for us is linking listenership data/audio data with purchase data, or consumer transaction data, to help our radio clients make a clearer case of the ROI advertisers get with radio advertising.

Proving return on investment is one of radio's biggest challenges.

We want to take our audio listening data and link it to different data sets, based on the category we're talking about. The first proof of concept we did linked the audio data with credit card transactions. The proof of concept focused on categories like quick service restaurants or movies or retail — essentially anywhere you could use your credit card. What we are able to show is, people who listen to a certain format, what kind of behavior they exhibit when it comes to going to the movies or when it comes to spending money at quick service restaurants. We were able to highlight which formats deliver audiences that spend more money at the movies compared to another. Our data is granular enough that we can drill down to station-level information and look at it from that perspective.

The second one we're working on is related to auto. Obviously, auto is an extremely important category for radio. We know one of the links we need to make is the link between what people are listening to and their auto-ownership characteristics. When a radio client is going to a particular auto brand and making a pitch for why their station or cluster of stations is important, they can show the type of auto-ownership characteristics that audience has. I should say that all this linking abides by all of our privacy guidelines and it is all anonymized data. We take privacy very seriously. All of those safeguards are in place. This is all reporting that is done on an aggregate level. No individual information is compromised.

"NIELSEN MADE A BIG BET IN RADIO AND AUDIO BY ACQUIRING ARBITRON. IT'S A BIG BUSINESS FOR US. WE HAVE A LOT OF CONFIDENCE IN THE SECTOR."

Is this something you plan to do a certain number of times a year?

It's at concept stage. We are eager to get this information out to our clients and have them give us feedback. We will be looking to productize it so they will have regular access to it on an ongoing basis. We haven't figured out the details in terms of what the rhythm of it is going to be, but we want it to be easy to access. We want to give them the ability to slice and dice the information, because obviously every company, every radio station, will want to develop their own ad sales strategies and attack different categories. We really need to provide a product that has enough scale and flexibility to serve our various clients.

You said Nielsen wants to continue to invest in and improve the core measurement service. Can you be more specific?

When it comes to the PPM sample, we've announced a couple of things. First, we seek to improve the stability of our ratings. We want to do that by expanding the sample size where the need is the greatest. Across the entire PPM footprint, we're going to implement a 6 percent increase in the panel size. That panel increase is going to be focused primarily in some of the smaller markets (numbers 31 to 48). In some of those markets the increase is going to be somewhere around 20 percent, or as high as 20 percent. That larger sample is going to help increase the stability of the ratings.

The second thing we want to do is improve the utility of our ratings when it comes to doing analysis on some of the minority audiences. We're looking to do a sample increase, or what we call a "booster sample," for the minority demographics in some of our larger markets, probably focused in the top 20. We haven't figured out the numbers exactly; we're still working through the math. It's going to be focused on the Hispanic demographic, the black demographic, and potentially some of the younger demos. The booster sample would allow greater granularity of analysis. You will be able to drill in more. And, because it will be a larger sample size, it will also help the stability of the ratings.

The third thing we announced for the overall improvement to the core measurement is improving the encoding monitoring service. Obviously, the transmission that happens from the individual stations has to be encoded with the Nielsen Audio code so that the PPM can pick it up. We've gotten feedback from some clients that they would like an improvement on monitoring of that encoding, in case it does go offline and it's not working, they get alerts more quickly, because it is so vital for ratings purposes. We are working on that as well.

Do you know if there is going to be any increased cost to stations with the additional samples and additional products?

I don't have any specific costs to share with you. I think one of the guiding principles for us is we want to earn our fees when it comes to the services we provide to our clients. We take it very seriously that we have to demonstrate the value that we are bringing to the table. That is how we approach any pricing discussion or any fee discussion.

About the Hispanic and African-American sample size: How close do you think Nielsen is to getting that right?

As of today, we do a good job of representing the Hispanic and African-American audiences from a sample-representation point of view, in terms of the makeup of the sample. The reason we would do this booster sample is to allow greater granularity of analysis for these specific demographic slices of the market.

I would have to rely on my measurement-scientist colleagues to probably give you more detailed answers, but that would be my high-level take on it.

Do you think PPM is the way we're going to be measuring radio into the next 10 or 20 years? Or is something better going to come along?

Part of that answer will have to be related to how consumers consume audio content. We know that they are using digital platforms more. That is one of the reasons that digital audio measurement is a top priority for us in 2014. We are keen to provide coverage of that platform as soon as possible. The guiding principle there is we want to follow the consumer. If the consumer is embracing those platforms, then we want to do that.

If you are asking me what is going to happen in 10 to 20 years, it is impossible to predict. If it is on digital platforms, it is going to be a different approach, and I can talk a little bit more about that. If it is an over-the-air environment, I am sure by then we will have moved on to more advanced measurement techniques, beyond PPM. We are always working on improving our measurement tools and techniques in our R&D labs. We would expect our technology to advance.

Do you expect there will be changes in the diary markets?

This spring, we are doing our next test of our electronic diary, which is a Web-based platform for collecting the same information that is today collected via paper. Our plan there is to slowly, over time, migrate more and more over to an electronic mode of collecting that data. I know we are fairly advanced in our testing of this. If this test goes well this spring, we will want to start moving it into production in our diary markets soon. I don't have an exact timeline to share with you, but we want to move as quickly as possible to, again, adapt to what is relevant to the marketplace and how consumers want to interact with us.

"I THINK ONE OF THE GUIDING PRINCIPLES FOR US IS WE WANT TO EARN OUR FEES WHEN IT COMES TO THE SERVICES WE PROVIDE TO OUR CLIENTS."

We wouldn't do a wholesale change overnight. I see it as a slow migration. For certain demographics and certain markets, the paper diary still works quite well. But, as you might expect, for some of the younger demos, we might have better success using an electronic means for collection.

Does that allow you to do more sampling in a specific market, or would it still be the same amount?

We haven't figured out sample size yet. It is too early to tell.

Do you plan to add any more PPM markets?

No plans currently to go beyond the 48. It's a question we've been asked fairly frequently. It's an economics question. If we think there is client demand and our clients can support that level of service in a market, then we would love to expand. But currently, there are no plans.

The big question, of course, is the digital ratings and measurement on so many new and different platforms. What is Nielsen's goal there for radio?

The approach that we've started to

sketch out and share with the industry is, we want to measure audio consumption at the point where it happens. What that means is, we have a meter, a digital meter if you want to call it that, a software-development kit. It's essentially lines of code, or software that we want to ask our clients to put into their apps, to put in their players that they have on their websites. That will allow us to measure consumption as it's happening, at the point it's happening, and will also allow us to measure it on what we call a census basis.

"WE KNOW THAT THE AUDIO LANDSCAPE IS CHANGING. KEEPING WITH OUR MANTRA OF FOLLOWING THE CONSUMER, WHETHER IT'S BROADCASTERS OR DIGITAL PURE-PLAYS, WE WANT TO BE ABLE TO MEASURE IT ALL."

We would not rely on samples for the digital listening. We would be collecting it on a census basis — a census approach is different than the traditional approach. We feel strongly that measuring consumption at the point at which it happens, and the idea of putting our SDK into the various players or apps that our clients have, is different from taking the approach where you rely on server logs from back-end systems. We know it's important to be able to link a reliable demographic to that listener.

There, we want to leverage existing Nielsen infrastructure where the digital measurement that we provided with video space — infrastructure that leverages technology called OCR, online campaign ratings. That is a product we have in the digital space and video space that's already used to measure digital media consumption. It gets demographics from our data partners. We are able to tie demographics to audio consumption that we pick up through our meter and then are able to report that in a format that the industry is able to use.

If I'm listening to a radio station on my phone, through the station app or iHeartRadio, how are you going to know what my demographic is?

We have developed a proprietary way that allows us to connect with third-party data partners to provide us with demographics. Others in the digital space have demographic information, and we are able to leverage that.

To keep it simple and not get too technical, I will use a PC example. As you go through different websites and click around the Web, you are leaving a cookie trail. One of the ways in which people are identified on the Web is through cookies. That is one mechanism that our third-party data partners can use to identify your demographic. Again, all privacy-protected. I can't stress this enough — we take privacy very seriously. This is all done at an aggregate level. We don't ever drill down to an individual person. We aggregate on a level to say all males 18-49, or all persons 25-54.

What if I delete my cookies regularly?

We don't rely solely on third-party partners. We also have to come up with our own calibration methods to account for instances where a person that consumes a piece of content was not identified. There is additional calibration that we have to do on top of some raw data that is collected from our third-party partners.

So if I listen on my phone, my iPad, my computer — if I'm using the station player, I'm going to be recorded?

Yes. We would pick up that listening wherever it's happening. Smartphones, tablets, Android, iOS — all the different flavors that are out there. As long as our meter is in there, we would be able to pick up that listening. We're taking the same exact approach on the video side. You may or may not have seen some of the headlines around what we are doing in the TV space, but we've announced that we can give mobile TV ratings starting in fall of 2014. Obviously some of the details are different, but the basic concept is the same.

What if I have a local station on, but I'm outside doing yard work? And for three hours I'm not even really listening, but the station is recording me.

That gets down to editing and crediting rules for how we give credit to stations for listening. Some of those — we haven't worked through all of that. You are right, there will have to be some edits that happen to all the data that we pick up. Again, we are going to have a lot of raw listening data coming in to us. We will have to apply some rules against it before we aggregate it into ratings data.

So let's say you have the online ratings from the embedded players and you also have over-the-air ratings. How are you going to put it all together so a salesperson can go to an advertiser and say, "These are the real numbers" in a way the advertiser can understand it?

Again, we are still working through the details, but the way we want to approach this is for content that is simulcast, same content and same commercial load, wherever it is broadcast, whether it is through an app or a website, wherever it might be, we measure that through our new digital measurement means and then we make it additive to our existing number that we produce so that our radio clients can show the total audience to advertisers.

Of course, they can break it out if they want to, but we know it will be important for it to be additive and to be able to talk about one number, if it is a pure simulcast. We know, obviously, there is content that won't necessarily be simulcast, that will be dynamically surveyed out. We want to treat those separately. We want to show them different streams. I think our radio clients want to monetize those differently because the commercial load is different. We will split that out and report it separately. But if it is a pure simulcast, we do want to be able to make it additive so that it is simple to talk about.

Does podcasting and content not broadcast over the air fit into any of what you are looking at with online ratings?

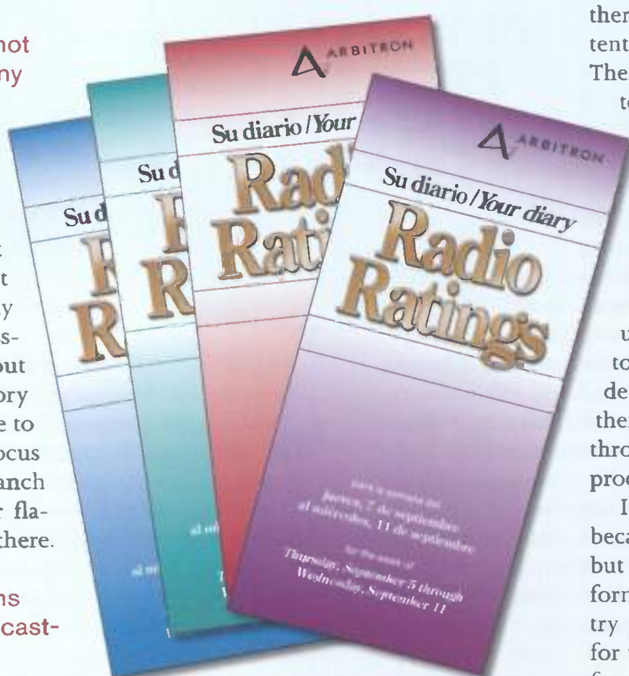
That is not immediately at the top of our list for things we are tackling right out of the gate. We want to tackle content that is broadcast either on a simulcast basis, or even with dynamically inserted ads. Based on our assessment of all the content that is out there and the advertising inventory that our clients will want to be able to monetize, we want to be able to focus our efforts there first, and then branch out from there and capture other flavors of audio content that are out there.

How do you provide the stations the ratings if they are not simulcasting the signal 100 percent?

We will still measure it. We will split it out as a separate line and show it as a separate entity, if you will, as a separate channel, but we will still provide the measurement.

How do Pandora and iHeartRadio and the online pure-plays fit into this? Is it going to be for everybody when it is ready?

One of the things we have been saying fairly consistently from when the acquisition closed was that we want to measure audio in a comprehensive manner, in a holistic manner. We know that the audio landscape is changing. Keeping with our mantra of following the consumer, whether it's broadcasters or digital pure-plays, we want to be able to measure it all. So this approach of measuring digital would also work for players like Pandora. We would also look to have our meter in various Pandora applications so we can understand the size of their audience as well, and be able to report them separately. They are not a broadcasting medium. They provide a one-to-one experience, with dynamically inserted ads. We would report them just like we would other radio clients that provide a dynamically inserted ad experience.



"OBVIOUSLY, AUTO IS AN EXTREMELY IMPORTANT CATEGORY FOR RADIO. WE KNOW ONE OF THE LINKS WE NEED TO MAKE IS THE LINK BETWEEN WHAT PEOPLE ARE LISTENING TO AND THEIR AUTO OWNERSHIP CHARACTERISTICS."

If they are not simulcasting, if they are inserting ads, will something be provided to Pandora that includes the radio stations?

Right now we're working through the exact reporting mechanics of where the data will show up and how it will look. We haven't sorted that out. In terms of approach, what we are thinking is that there is one treatment for broadcast content, one-to-many, in the simplest terms. Then there is different treatment for one-to-one content.

When do you think it is going to be ready?

In the first half of this year, 2014, we want to be working with our radio clients to get them to start to install our meter, test our meter, understand how the SDK works, and to work through some of the technical details and the engineering details, get them comfortable with it. Once we get through that, then to be able to start to produce reports from it.

I won't share exact dates with you, because we haven't buttoned it up yet, but we do want to come out with a more formed timeline soon, so that the industry gets a sense of where we are headed for the rest of 2014. We do want to move fast. We know there is a lot of interest in this topic, so we are moving as quickly as we can.

Do you think this additional measurement will bring us to the conclusion that there are more radio listeners out there than the industry is getting credit for? And will it will lead to more revenue?

In terms of audience size, we don't really know until we measure. Because there is the hypothesis that the audience is migrating and that it's growing, yet to be measured. I haven't seen any data on it. You would think that then they will be able to keep up with audiences and be able to have independent, third-party, verified data that shows the size of that audience. I would think that should be able to help them in their ad sales story. I would think it should be beneficial. INK

A LOOK INTO THE BROKERS' CRYSTAL BALL

Look for Larry Wilson of L&L, Jeff Warshaw at Connoisseur, and Dean Goodman of Digity to be the three biggest players purchasing stations in the year ahead. That's according to nearly every broker we spoke to in our annual Special Report on mergers and acquisitions in the radio industry. While radio's biggest companies continue to pay down debt and figure out how to spin off stations they paid too much for before the economy tanked, Wilson's, Warshaw's, and Goodman's companies are well positioned financially to grow and are finding multiples to be in a very affordable range. So what are those multiples? Is now the right time for first-time buyers to jump in? Where is the financing coming from? And should the FCC get involved to help the radio industry in any way? To answer those questions:

HERE'S OUR 2014 PANEL OF BROKERS:

Larry Patrick, Managing Partner, Patrick Communications
Elliot Evers, Managing Director, Media Venture Partners
Doug Ferber, CEO/CCO, DEFcom Advisors
Doyle Hadden, President, Hadden & Associates
Robert L. Heymann, Director, Media Services Group/Chicago
Ed Henson, President, Henson Media

Radio Ink: How were the last 12 months? Both on the broker side and at your stations, being that you also own and operate stations.

Patrick: Well, on the brokerage side, we had a pretty darn good year. I would mark the year as a solid B+. A good year. On the radio side, I think we were steady — up a little bit. We operate in small markets out in the Rocky Mountain region, and we're fortunate on one hand that we're sort of the dominant players in most of our markets. We've had good relationships with most advertisers for 15 years now. I would say, overall, the M&A activity is looking much brighter than it has for a while.

Certain things that I look for: the formation of new groups, or the expansion of current groups. You see Digity, with Dean Goodman, suddenly make a big acquisition, and I know there'll be some more for him coming shortly. You see Jeff Warshaw's Connoisseur buying more stations. Our phone has been ringing pretty heavily, from two different groups that have 20 stations-plus and want to grow. They've been cautiously quiet for several years, watching the economic storm swirl about them. But they're confident now that things are good; they realize pricing is way down from where it had been and probably isn't going to escalate dramatically. And this is probably a good time to get in.

Radio Ink: Were you surprised with what you saw in the last year, or was it as expected?

Patrick: I think it was as expected. We took a big tumble five years ago, and we're steadily climbing back up. The pace of movement forward is up a little bit, not dramatically, from where it was 12 months ago. But again, Wall Street is being a little bit more supportive of some of these broadcasters and the groups. And I think that, if we were crawling, then we started to walk, and then maybe we can get into a light jog here going forward.

Evers: I was not surprised. Pleased, would be the word. The multiples are not good, but the key event is that seller expectations have now come into line with buyer willingness. There's been a fairly significant number of deals done. That is a notable contrast to three years ago, when the lenders who have been financing the industry's growth and consolidation were waiting, hoping for higher multiples or different outcomes. We're coming into the sixth year of this workout phase and there are not that many names left that are over-levered and need to sell.

Ferber: I wasn't really surprised. I thought by now there would be more stuff sold. Right after the crash, if you talked to the bankers that were worried about their loans during 2009 and 2010, they said not much was going to happen until 2013. Everything is still kind of being pushed back. Business is what it is, where some of these companies are slow- or no-growth.

Hadden: It was anticipated, with the economy turning around and a lot of changes going on at the FCC — but mainly, the confidence of the buyers in picking up some of these stations that have been spun off by consolidation. It all relates to the economy and the availability, and prices have never been better. When you find the merchandise is on sale, you start running to the store so you get that merchandise at the best price. We reached a lull from 2008 to early 2011, and I think in '11 and '12 and '13 it came back gradually. Last year it came back very strong, and this year is going to be even better.

Heymann: I think it was about as expected. There weren't any major bombshell divestitures or acquisitions.

Henson: The activity is not the tide lifting all boats. I think you have pockets of activity. I think it is not like it was, obviously, 10 or 15 years ago, where there was a lot of activity across the board. I think you see certain buyers out there buying things, and they are creating a lot of activity. What I see is strategic sales going on. I see people wanting to buy a station to expand their group or to supplement their group, with the synergies of their group. I don't see as many people out there building groups as we did 10 or 15 years ago.

"WE TOOK A BIG TUMBLE FIVE YEARS AGO AND WE'RE STEADILY CLIMBING BACK UP. THE PACE OF MOVEMENT FORWARD IS UP A LITTLE BIT, NOT DRAMATICALLY, FROM WHERE IT WAS 12 MONTHS AGO."
— Larry Patrick

Radio Ink: What are the multiples in 2014?

Patrick: The YMF deal in New York City was seven times. I'm not seeing too much higher than that anywhere. Larry Wilson bought a very solid cluster in San Antonio and paid 6 1/4 times. Dean Goodman is looking at deals mostly in the 5 1/2-times range, if he can get them. And I think what we're seeing is smaller markets are going to be in the five range, maybe a little better; middle markets are going to be in the six range; and the big stuff is now in the seven range. And maybe if something was something extraordinary, you could do a little better than that. But I think you've got pretty disciplined buyers that aren't willing to go back to the days of 10- and 12- and 14-times, like we used to have.

Evers: About six times. I would say that the midpoint, or the point of equilibrium, where deals are generally happening, is 6- to 6 1/2-times. Sometimes it is 5 or 5 1/2 for lesser-quality assets, but 6 is really the right number when you are looking at the industry globally.

Ferber: Six and change. In 2003 guys were buying at 12-times. Today, and this has held up pretty well, anything that was purchased pre-crash — and really there wasn't any activity in '06-'07, is now worth about 25 percent of what you paid for it.

Hadden: If you're Larry Wilson buying, you're at 5 and 6. But if you're some of these first-time buyers, they'll pay 8, 9, and 10 times. Multiples right now, on average across the board, you're probably looking at between 7 and 9.

"UNFORTUNATELY, I DON'T SEE A LOT OF NEW NAMES COMING INTO THE INDUSTRY, YOUNG BROADCASTERS, WHETHER FIRST-TIME OWNERS OR OTHERWISE, BECAUSE IT'S SO DIFFICULT TO RAISE CAPITAL. I WOULD LIKE TO SEE MORE OF THAT."
— Elliot Evers

Heymann: That's a terrific question, and a question I think all buyers and sellers would like to get a handle on. It's my opinion that the multiple range for cash-flowing radio properties — particularly FM — is in the 6 to 7 1/2-times range. There are some sellers who still have a mindset that their "baby" is worth more than the reality of what the market is telling other potential buyers and sellers. As a result, there are still some holdouts. Which is fine. That's their prerogative; they own the stations, they can do anything they want with them. I think that as time goes on, however, sellers will see what the actual multiples turn out to be of closed transactions, and they will get more comfortable with this new reality in 2014.

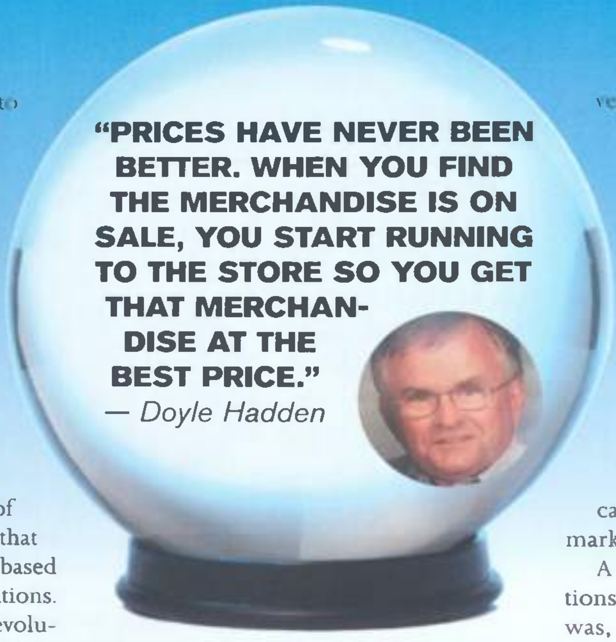
Henson: If you are in a small or medium market, 8-times is pretty much a non-starter. At 8 times, you would have to have a lot of other things to justify a multiple like that, whether it's great growth potential, they just got another FM station, something like that. Five and a half to 7 is the range. A lot of the deals that I do or that I see are not necessarily multiple-driven.

Radio Ink: Where are buyers getting money these days?

Patrick: In the small and medium deals, they're being created like they did years ago — sellers are having to help finance pieces of it. In the bigger deals, they are finding some people who are bringing in money who haven't necessarily been in broadcasting heavily. Some equity players are coming in — either back in or coming in for the first time.

Larry Wilson has gotten a significant influx of equity investment from a very strong partner who has not really been a broadcaster in the past, but they believe in him and his story. So, if you're going to pay 6-times, you're probably only going to be able to borrow 3 or 3 1/2 times from a traditional senior lender. You've got to have some equity, and in small deals you bridge it primarily with seller financing — someone takes a note or a consulting agreement.

Once you get bigger, once you get to, say, Jeff Warshaw's size, and you've got an equity player with you and you start producing very solid cash flow, then you're able to grow to buy Nassau, to buy Buckley, on the strength of your own balance sheet and the fact that you've got excess buying capacity based on the performance of your other stations.



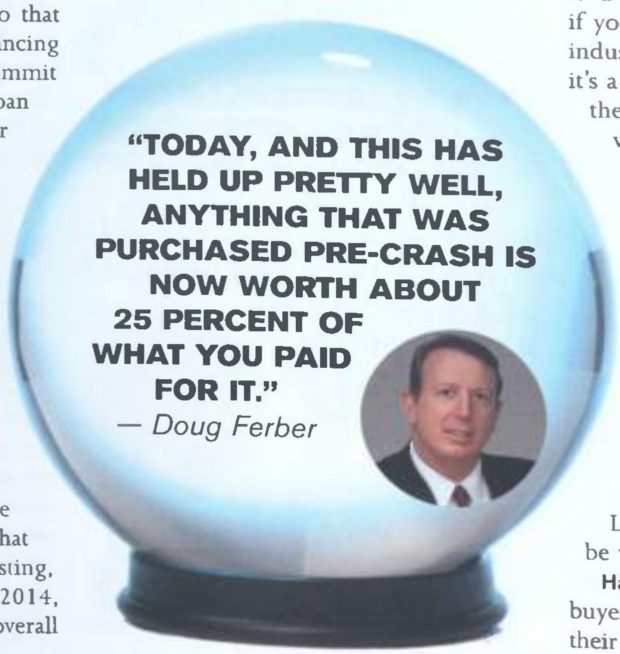
Evers: That is an interesting evolution in the industry. We've seen a rotation from growth-oriented private equity shops, the Alter Communications of the world, Arlington Capital, names like that, into yield-oriented vale investors. As the multiples in the industry have come down, the industry is still throwing off significant amounts of cash and cash flow. We are seeing family offices and hedge funds who are looking for yield replace the growth-oriented equity shops.

Ferber: When you talk to the banks that go to the conventions, they say they are doing deals. But it has to be $50 million of loan value, and it equates to about a million-dollar deal, and all the moons have to line up. It's got to be perfect. So that doesn't leave really any available financing for the lower market. Other than Summit Media, I don't know of any other loan generated on any kind of scale other than that.

Hadden: We've had a couple of clients who have gone to Wells Fargo and also other private sources to get money. The financing has eased up a bit. When you see Wells Fargo doing it, you know others are going to follow suit as well.

Heymann: Money sources, either debt or equity, if they see good opportunities in a growing industry, will gravitate there and make lending or equity investments in that industry. The problem with broadcasting, particularly radio in America in 2014, is that there is no growth in the overall industry revenues, other than nice growth in the online/digital areas. But with spot radio down, and that constitutes the overwhelming majority of revenue that a station receives, even with significant growth in online/digital, that still doesn't equate to overall increases in industry revenue. And so, money sources will continue to not be very enthusiastic about investing or lending to an industry with little or no growth.

Henson: You still see people trying to get their first station. I think it is always very difficult to do. My experience has been, in small and medium markets, local bank financing is still available. A lot of that is relationships. If they feel the person they're dealing with can get it done, I still think the most important thing is the confidence in the individual.



I still see local bank financing in these small and medium markets. I think people talk multiples, and certainly in a lot of the bigger markets, bigger deals are multiple driven. But I don't find that to be the case so much in the small and medium markets. It's not the driving factor.

A friend of mine bought a group of stations. I was asking him what the multiple was, and he said, "Ed, I really don't know. We just negotiated a price." I think I find that to be the case in some smaller-market deals. People are aware of the multiples, but it is basically just what they can negotiate.

Radio Ink: Is now the right time to get into radio ownership?

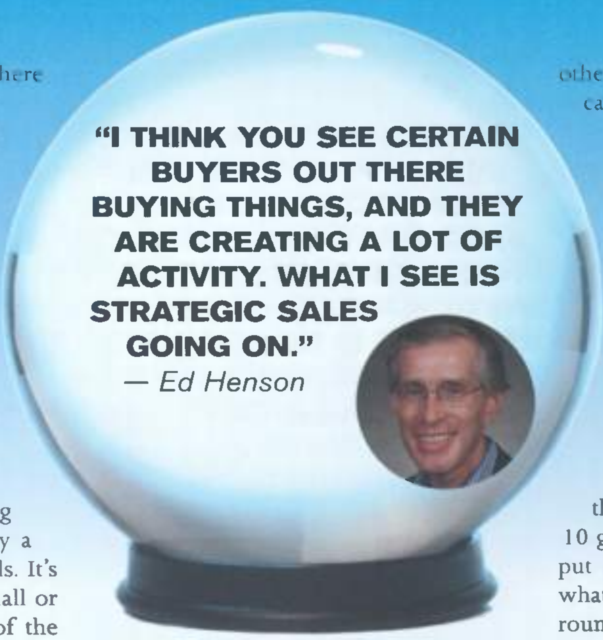
Evers: If you have access to capital, now is a good time. But if you don't have access to capital, it's pretty tough for a first-time buyer. The industry has been battered around pretty good. You would have to have a relationship with a family office or a value-oriented hedge fund. It is a management-intensive business, so if you are an experienced manager in the industry and you think you can add value, it's a great time to be a buyer. But getting the access to capital in this climate is very difficult.

Ferber: I would be a buyer. I think the business is still a great business. It's resetting. We're in a time of new media and change; the landscape is different. But I think what we're finding is that if radio can keep up with things technologically, getting in smartphones, etc., that's really going to be key in the long run because you've got to be able to receive radio on the same platform as the Internet. Let's assume that happens: Radio will be very healthy for a long time.

Hadden: Absolutely, absolutely. First-time buyers or those people who want to expand their groups, it could not be a better time because the prices are still down where they can afford to get in.

Heymann: As a result of some lowered price expectations by sellers, it will be a little bit easier for buyers to meet those expectations. Buyers will still have to understand that unless you're operationally able to increase the profitability of the station, you're still facing overall flat revenue into the future for the entire industry.

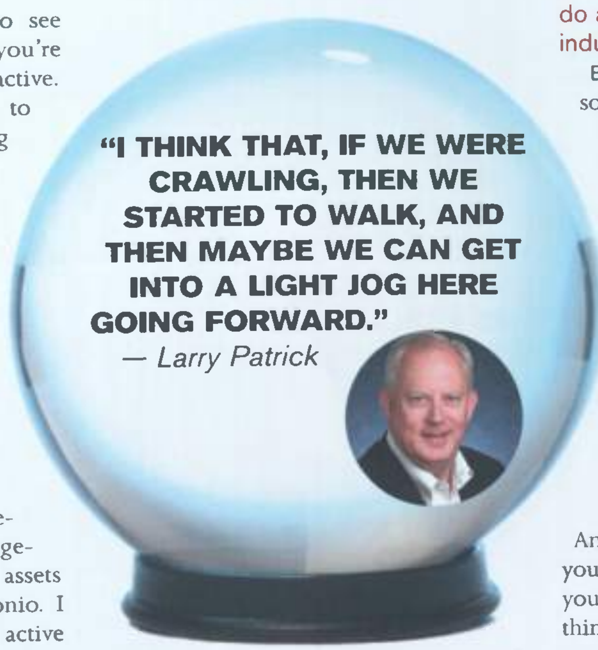
Henson: An owner, in addition to paying the bills, wants a station to do three things. In addition to paying the bills, you want to be able to pay a manager, pay debt, and pay dividends. It's been my experience that in most small or medium markets, you can do two of the three. You can't do all three. There's just not enough volume there. If you have an owner-operator in a town of 10,000 people, then the manager can be the owner, and so paying the manager is the same as paying a dividend. Then you can just pay your debt and pay a manager/owner/operator, and that model works. I think it still works and is a good opportunity for people who want to have more security in their life.



Radio Ink: Who do you think is going to be the player we see the most over the next 12 months? Who's really going to be active?

Patrick: I think you're going to see Larry Wilson be very active. I think you're going to see Jeff Warshaw be very active. I think Townsquare will continue to grow. I don't think any of the big guys are going to have a lot of room to maneuver. I've always respected Jeff Smulyan at Emmis. Now they've done a huge deal, which certainly solidifies them in New York for a very long time. I think the Summit Media people who bought the old Cox stations are interesting.

Evers: I think Larry Wilson will continue to be a presence. He's got a major equity commitment from a large shop. Larry is an experienced operator with a great management team. He already has the Triad assets and the Border assets in San Antonio. I think he will continue to be an active player. Larry's target goal, I think, it to have $100 million of broadcast cash flow. There is not question that L&L and Larry Wilson will continue to be significant. I think Dean Goodman, same comment. He has capital that likes what he's done. You will see Jim Ingstad, people like that, coming back in, opportunistically for markets they feel comfortable with. It appears that Summit, Carl Palmer, is going to be active. Unfortunately, I don't see a lot of new names coming into the industry, young broadcasters, whether first-time owners or otherwise, because it's so difficult to raise capital. I would like to see more of that.



Ferber: Larry Wilson, Jeff Warshaw, and Summit Media. The list is pretty short. When guys like me talk to sellers, they look at the list and say, "Is that it?" The response is well, yeah. In a climate like this a lot of times, the first group that's really serious is probably the best prospect. Whereas when times were really good, when you could put together some really good auctions, you'd know you have, five or 10 really good prospects that are bidding on it. You'd get five or 10 guys submitting letters of intent. You'd put them on the phone and you'd see what comes out. You're able to do multiple rounds. The buyers in today's market know that there aren't many guys out there. It depends on the deal, but Larry and Jeff have got the ability to close on almost anything.

Hadden: Larry Wilson is probably one of the best. Clear Channel is trying to sort through a lot of their inventory to see what they can and can't use. The oddest thing right now with some of these Christian groups that own AM stations is that they're looking to buy FM translators to pair up with them. So that's been a hotspot here with us recently.

Radio Ink: What are your thoughts on the FCC and whether it can or should do anything that would help the radio industry?

Evers: I have worked with the NAB and some industry groups to try to get the AM/FM subcaps removed. A lot of people don't know what the subcaps are. In a larger market, you could have five FMs and three AMs. That's something we have lobbied to get rid of as part of the quadrennial review, so you could have, for example, eight FMs. You would still have a limit of eight stations, but instead of five and three, you could have eight in any service. I acknowledge it would not do great things for the AM band. The AM band, there is too much distribution in American radio to begin with. Frankly, if you eliminated daytimers — a bunch of, if you will, underbrush on the AM band — I think we would have a healthier industry.

> **"MONEY SOURCES, IF THEY SEE GOOD OPPORTUNITIES IN A GROWING INDUSTRY, WILL GRAVITATE THERE. THE PROBLEM WITH BROADCASTING, PARTICULARLY RADIO IN 2014, IS THAT THERE IS NO GROWTH IN THE OVERALL INDUSTRY REVENUES, OTHER THAN NICE GROWTH IN THE ONLINE/DIGITAL AREAS."**
> *— Robert L. Heymann*

That is a specific and not particularly broad deregulatory initiative that, personally, I would like to see the commission embrace. Thus far, they have not.

There are just too many radio stations in America chasing too few dollars. You have kind of low-end AM players driving rates down and cluttering up the band. That's not good. In the world of Internet and cable competition that is completely unbridled and unregulated, to have these restraints — why five and three? Why not eight in one service? That's a specific initiative, the removal of the sub caps, that I would think would be quite doable for the FCC. Having said that, based on how Chairman [Tom] Wheeler is approaching the television industry and his, in my view, excessive regulation of the TV guys, I have very little hope that anything like that comes to pass, any time soon. But that would be something very specific.

Heymann: I would love to see the FCC have a better understanding of the industry they're responsible for regulating. They need to understand the realities of what a broadcaster is facing in their market in 2014. For example, Commissioner Ajit Pai, to his great credit, has been advocating improving or trying to help the AM service — he came out for that a year ago — and yet we have not seen any concrete steps that the FCC has done to really help an AM broadcaster, other than some proposals. And so, while talk is great, I would really love to see the FCC take definitive action to help the American broadcaster.

I would love to see more deregulation. Recently the commission came out and took the stance that they're not going to relax the cross-ownership rule. Dave Oxenford, the noted FCC attorney, made a great comment about it. He said that there won't be any newspapers left to buy radio stations by the time the FCC finally gets around to allowing it. And I think that's right on the money and a perfect example of the FCC not really having a good understanding of the economic realities of the industry that they're chartered to regulate. INK

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WSHU Celebrates 30 Years — After Almost Folding

George Lombardi has been at Long Island public radio station WSHU for 32 years now — which is amazing in itself, since the university came very close to giving the license away. A group of local businessmen were set to take over the station, but the deal fell through, and Lombardi says WSHU was left with the license but not a lot of ideas. It took him 18 months to raise enough money ($300,000) to bring in the minimum number of employees to get CPB-qualified and to join National Public Radio. That was in 1984.

Top management (l-r): WSHU News Director Naomi Starobin, GM George Lombardi, MD Kathi Remington, PD Tom Kuser and Development Director Gillian Anderson.

Today, WSHU has a $5 million operating budget, 31 full-time employees, and seven part-timers. The news department has five full-time reporters, two *Morning Edition* local hosts, two *All Things Considered* hosts, and a news director. And Lombardi says he's still in growth mode: "Over the next few years, as part of a capital campaign, in addition to new facilities, we are hoping to add more beat reporting. We would have reporters with maybe only two topics they are responsible for — education and economy or government and whatever."

George Lombardi

The capital campaign Lombardi refers to is for $9 million-$9.5 million, a long way from his $300K days. If the goal is reached, WSHU will build a new building. Station licensee Sacred Heart University is willing to put up $2.5 million, so WSHU has to raise the rest from the community and grants.

The community support for WSHU is outstanding. The station receives no cash from the university; it pays rent and reimburses the school for electricity and other expenses. Lombardi says, "We are, for all practical purposes, pretty much financially independent. That means we are raising that $5 million budget ourselves."

The WSHU mission is to be a vital resource for news, information, and cultural programming, and to make a difference. Lombardi points out that his team is working hard every day to grow the news department and to be more local and more visible. He says, "We are right now working out of an old house that was converted into studios. We are looking to build a new facility. We are looking to upgrade to fully digital control rooms. We are looking to do a better job to have more facilities that would allow us to do more customized programming, so that we could be more parochial on each of our different frequencies at times, giving more local programming rather than having everything linked to one signal."

As Lombardi has witnessed over three decades, employees at noncommercial public radio stations are a special breed. But, he says, some turnover was bound to happen sometime. "This is the first year we have actually had some real turnover," he notes. "Typically we would hire one to two employees a year — one as a rollover and one as a new employee, maybe. Maybe three, two new employees and one rollover, every year, if someone left for whatever reason. This is the first year where three people have retired and two of our younger staff have actually used the educational benefits provided by the university and have gotten master's degrees in their respective fields and moved on to new things.

"This year, we actually have two new positions created, but five vacancies created. This is the largest turnover we have ever had. When we sat down to talk to a consultant about planning for our capital campaign, one of the questions was about the longevity of the people that work here. So we added up the length of time every one of our full-time employees had worked here, and we came up with an average of 17.25 years. Of course, that just got blown out with five people leaving.

"People who are here are really dedicated to what we're doing, they really care about what we're doing, and I have made it a lifelong project with me, to get this done." INK

WSHU is an NPR affiliate that carries many familiar NPR programs, classical music, and in-depth national and local news. It can be heard on WSHU 91.1 FM, WSUF 89.9 FM, WQQQ 103.3 FM, WYBC 1340 AM, WSHU Fairfield County Public Radio (1260 AM, 1350 AM, and 1400 AM) and www.wshu.org.

CONVERGENCE 2014 Agenda

Wednesday, June 4

8 a.m.-noon
Exhibit setup

Noon-1 p.m.
Registration (Exhibit Area)

1-1:15 p.m.
Opening Entertainment
Brent Cobb

1:15-1:30 p.m.
Opening Remarks
Eric Rhoads

1:30-2:45 p.m.
Keynote

2:45-3:30 p.m.
Delivering Mobile Consumers to the Cash Register
Today's consumers want it all -- and want it now. Mobile devices allow critical interaction to occur anytime and anywhere. And transaction marketing is becoming more common. The goal is getting your audience to respond and engage with your client's offers. It's critical to a successful marketing partnership and demonstrates your station's ability to move the needle at the cash register for your advertisers -- and you. How do you "mobilize" the power of your audience with mobile applications that create better, more targeted, and more efficient opportunities for your station and your clients?

3:30-4:05
Online Content Innovation: Playing Offense for Audience Growth
A radio content renaissance is underway, but for the most part, it's not happening on broadcast radio. Borrell Associates predicts TSL for pureplay mobile services will grow by 38% over the next four years -- while broadcast radio declines 42% over the same period. Whether you're running a broadcast or online audio media company, engaging in content innovation means playing offense, which will increasingly be key to success. How will broadcasters extend their brands online above and beyond streaming their existing stations? And among new audio media players such as Apple, Google, Microsoft, Pandora, Spotify, Rdio, Beats, and more, what role will original content play in the audience shakeout? Learn from content and innovation experts who'll help spark ideas for your digital path forward.

4:05-4:40 p.m.
The Promise of Social Media: What What We Know Now, and How "Likes" Can Damage Your Station
Great social media creates content that resonates immediately, builds trust, increases engagement, responds to audience and fan needs, and becomes their go-to source -- and vice versa. But the promise of social media has some unexpected glitches that can actually prevent your station from the exposure desired, due to changes in systems and damaging data farms. Find out what your social media may be lacking and how to take it to the next level when our panel lays out strategy designed to guarantee increased engagement success.

4:40-5:25 p.m.
Keynote

5:25-6 p.m.
Fourth Annual Convergence Awards

6-7 p.m.
Opening Reception

Thursday, June 5

7:45-8:30 a.m.
Continental Breakfast

8:30-9:05 a.m.
Multi-Platform Content Engagement Tools and Strategies
How do you successfully distribute content across multiple platforms without developing individual versions for every device? For example, a mobile strategy might neglect a broadcast platform, and vice versa. Creating clean basic content that can be used across multiple platforms calls for fresh thinking about the best ways to integrate across different platforms, including social media and e-mail campaigns. Unless you are convinced you've perfected the art, this is a session you won't want to miss!

9:05-9:45 a.m.
Digital Advertising: The Key to Unlocking Dollars, From the Client Perspective
In the world of advertising, if it's not linked to digital media, if it's not accountable, or if it doesn't have granular measurement, it's not relevant. This panel brings advertisers together in a frank and detailed discussion on what clients want from your digital assets, and what advertisers need in general to enhance and increase their return on their investment in them. What do they need specifically from radio stations in terms of both content and accountability -- and what's the best way for stations to present their digital platforms? What key elements should be part of every proposal? What tools provide the kind of measurement that meshes digital delivery with broadcast ratings? Clients, agencies, and research experts come forward to lay out, in elementary terms, what every radio rep, manager, and owner needs to know.

9:45-9:50 a.m.
InfoPod

9:50-10:25 a.m.
Tech Investors Reinvent Radio
Silicon Valley's smartest minds have reinvented products that have revolutionized the world. What if those same minds reinvent radio? We've assembled a panel of experts to offer ideas on how they think radio should respond in today's environment. This session will be like Shark Tank for radio and chances are it will not be what you believe or want to hear, but some will take these golden nuggets and reinvent the business from the inside out.

10:25-10:45 a.m.
Break

10:45-11:15 a.m.
Keynote

11:15-11:50 a.m.
Digital Sales Strategies to Grow More Revenue: What We've Learned About What Works and What Fails, and Why Some Are Seeing Significant Digital Growth While Others See Little
Before your sellers get through the door, chances are that prospects already know all about them, your company, and what it offers. That's because, like you, today's clients enjoy access to data -- lots of data! Digital has truly changed the sales landscape and the "rules of engagement." Yesterday, it took an average of three calls to make the sale. Today, it takes 10. How can sellers get in front of prospects those 10 times before decisions are made? When you are no longer the primary information provider, how do you redefine your role as marketer and more effectively interact with client through social media -- the ultimate anti-sales tool? This panel offers 10 key social media strategies for building stronger client relationships that lead to bigger, bettesales results.

11:50 a.m.-12:20 p.m.
Keynote

12:20-1:30 p.m.
Lunch

1:30-2:05 p.m.
Traditional Media in a Digital World: Case Studies of Digital Successes by Traditional Media Outlets
What lessons can be learned from newspaper, TV, outdoor, and (dare we say) Yellow Pages about positioning traditional media in the age of digital? The shift to digital platforms has been going on for years now. It's said that every fourth person around the world uses some form of social media network. Smart traditional media operators have learned to integrate digital assets to maintain viability and success among audiences and advertisers. They have done it by redefining their role with both advertisers and consumers. They know they are no longer the "final conversation" with consumers. They have recast their media as a digital driver, directing traffic to online platforms, and in the process, they've strengthened relationships by embracing and helping enhance the digital experience. This session will tell you how those traditional media are adapting and aligning their media to better compete for bigger revenue shares in the future.

2:05-2:45 p.m.
Keynote

2:45-2:50 p.m.
InfoPod

2:50-3:10 p.m.
Break

3:10-3:45
Innovators and Inventors: Looking Ahead on the Digital Highway
Convergence 2014 puts the spotlight on a few select companies whose strategies and imagination are ahead of the curve, providing solutions and roadmaps that will be driving many of tomorrow's platforms and adapted technologies. They'll give you a look at what's new on the horizon, and you'll have the chance to follow up later for information you may want to take back to your company.

3:45-4:20 p.m.
How Radio's Automotive Dominance Will Change: What You Need to Know to Take Advantage of Changes on the Auto Dashboard
Radio has always owned the car and about 50 percent of listening, but now the dashboard and connected car are changing consumer behaviors. Learn what Apple, Google, and others have planned for the car, how technology impacts how users use their radio, and how your station needs to adapt in order to maintain your dominance. See how the connected car will impact ad dollars and how we sell.

4:20 p.m.
Closing Remarks

JEFF SMULYAN
GUEST EDITORIAL

Why Radio Needs The FM Chip

I got involved in the FM chip activation issue more than six years ago, when the question was asked: "Why is FM deactivated on smartphones in the United States?" As I've come to understand the issue, I have become a passionate advocate, and I've been incredibly gratified by the industry's support of this effort. Here are a few reasons it's by far the most important issue for our industry:

1. Our over-the-air signal is still the source of almost all of our profitability. Streaming solutions are important for all of us to try, but the fact remains that after all these years, streaming is simply not profitable. As one of my friends says, "Every time we take an over-the-air listener to streaming, we convert a 40 percent margin customer to a zero margin customer —or worse!" Remember, the FM chip simply turns a smartphone into a portable radio. All of the costs associated with Internet streaming no longer stand between us and our listeners!

2. We can win the portability battle. Twenty-five years ago, 40 million Walkmans were sold each year. Today, the portable radio is nearly extinct. The reality is that the only portable device 300 million people carry is a cellphone, and every smartphone made has a radio built in. We must get them activated so everyone will have a radio with them at all times. One of the most fascinating things in the Coleman Research study conducted for the NAB was that younger listeners had no idea that radio could be portable, and they loved the idea. It's hard for those of us who grew up with transistor radios and Walkmans to imagine, but a new generation of listeners doesn't understand the concept. Research indicates that data costs and less battery drain are very important to our audiences, but the most important factor is that radio can now be viewed as portable by people who didn't know that was feasible.

3. Technology is shifting in our favor. As the American public realizes there is a cost to the data they use (as carriers shift to metered pricing), they understand that listening to streaming radio is not free. We know that billions of hours of local radio are listened to in the data networks. This is millions of dollars our listeners are paying to hear what could be heard for free.

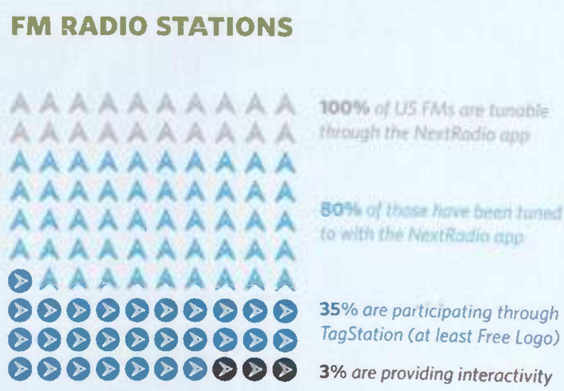
4. We can create an interactive experience that is compelling and cool. The most rewarding experience we have seen since we created NextRadio is the universal view that its interactivity is compelling for our listeners. When they can rate music, enter contests, share music, buy songs, get concert tickets, and download coupons, we know that they have a much more enjoyable experience with us and they listen longer. Research indicates that our NextRadio listeners find radio is "cool again," something our industry desperately needs.

We are certain that NextRadio is an idea whose time has come, a tuner of the future that brings full interactivity to every station and, hopefully, every listener. Since our launch with the first of the 30 million Sprint phones, we have been ecstatic about the listener satisfaction. We've also been amazed that automakers see NextRadio as the interactive answer to our dashboard issues, and that tablet makers will be including NextRadio as well. We have deliberately launched almost solely by word of mouth. Now we are ready to test advertising and increase our outreach. We are going to be aided by our friends in public broadcasting to drive home the point that activating the chip is important for everyone. We need to deliver the message to every listener that there is a free way to listen to radio on their smartphones, and we need to mobilize them to demonstrate the demand for our terrestrial signal in every smartphone.

If radio is in every smartphone in America in a few years, and if our industry rises to the challenge of delivering the experience that today's radio listeners really want, we will have the transformation all of us desperately seek. If we work together, we will put the NextRadio system over the top! INK

Jeff Smulyan is Chairman and CEO of Emmis Communications.

Month-by-month increases since November, 2013



Source: TagStation

BLAST From The PAST >>

RISING & SHINING

Power 105 in New York has a hit *Breakfast Club* in mornings right now, but back in the '90s, this *Breakfast Club* trio was waking up the Big Apple on WNEW. L-r: Lisa "Lisa G" Glasberg, now heard on the Yes Network; Marc McEwen, who went on to anchor CBS's *Early Show;* and Richard Neer, who formerly hosted NFL Giants broadcasts and is now with WFAN. *Photo courtesy the Library of American Broadcasting.*

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