

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

January 28, 2002

Volume 19, Issue 3



Why are agencies spending now?

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Urban forecast 2002

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Coming in next week's issue

RAB2002 Special



Orlando Feb. 7-10

Focus on sales: What can your station do now to improve your sales prospects for this year...and beyond?

Plus the first RBR Profiler

Ed Christian Saga Communications

Part 1 of a 4-part in-depth series looking closely at Saga: How it operates. What it's buying. Where it's heading.



Howard Berman (D-CA)

Congressman calls for Clear Channel investigation

Congressman **Howard Berman** (D-CA), Ranking Member, Subcommittee on Courts, the Internet and Intellectual Property, has written letters 1/22 to Attorney General **John Ashcroft** and FCC Chairman **Michael Powell** asking them to investigate—and potentially prosecute—Clear Channel (N:CCU) for possible antitrust and FCC violations with its Clear Channel Entertainment concert promotions division.

In addition, he's requesting an investigation on CCU's "parking" of radio and TV stations via third party shell companies in Chillicothe, OH (*RBR* 11/19/01, p.2, 12/17/01, cover), Monterey (*RBR* 12/17/01, p. 2), San Diego, San Francisco, Hudson, NY, Catskills, NY, Charlotte, Oklahoma City and Waco.

From the letter: "I write to express my serious concern about vertical and horizontal integration in the radio, television and concert promotion industries. Clear Channel's actions in consolidating these businesses has negatively affected recording artists, owners of sound recording copyrights, consumers, advertisers, and competitors in the radio and television industries...According to numerous press reports, as well as first hand accounts by affected recording artists and copyright owners, Clear Channel's consolidation of radio and concert promotions industries has had a variety of negative repercussions..."

Denver Concert promoter "Nobody in Particular Presents" filed suit (*RBR* 8/13/01, p.2) against Clear Channel and its four Denver FMs for alleged antitrust violations. Nobody in Particular said Clear Channel and CC Entertainment have been working to knock smaller promoters out of business by denying entertainers radio time unless they sign exclusive in-market promotion agreements with the company.

Berman says Clear Channel punishes artists for refusing to use Clear Channel Entertainment by burying ads for their concerts and keeping their songs off playlists at CCU stations. He names **Britney Spears** as one example (although ironically CCU in Atlanta promoted a Spears concert just last month via a Britney Spears ticket giveaway on WPCF-FM).

Responded Clear Channel spokesperson **Rebecca Allmon**, "We are satisfied and excited about the ways we have grown our businesses. Our company competes aggressively, fairly and totally within the law. If there is an investigation, we are confident that this will continue to be proven true."

For more on this story, see related item on p.2.—CM

RBR observation: Berman marks the second Congressman to get on CCU's case. The earlier attack came from Congressman **Sam Farr**, also a California Democrat (*RBR* 12/10/01, p.2), but it was confined to a local situation in his own Monterey district. Berman wants to look into CCU's business operations from top to bottom and from coast to coast. We know that Berman has at least one like-minded friend in the other chamber in Senate Commerce Committee Chairman **Ernest Hollings** (D-SC). Republicans run the FCC, but its local ownership limits are under review, and with the stream of attacks on CCU continuing unabated, the prospects are good for some regulatory fireworks during the course of 2002. Stay with *RBR* for your front row seat.—DS

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CMR: Hot Q4 will salvage 2002

CMR is out with a forecast that US ad spending will grow 1.5% this year, after dropping 9.4% for 2001. After losing even more ground throughout the first half of the year, the eventual gain will be realized during a surge in the second half, particularly in Q4. This is based on total revenues of \$96.1B, up from CMR's estimate of a total take of \$94.6B for 2001.

CMR expects ad spending to be down 5.4% year-over-year in Q1 and also down 3.3% in Q2. The slow rebound the company foresees will begin with a 3.8% gain in Q3 and accelerate to a 10.9% gain in Q4.

2001 vs 2002 quarterly growth estimates

	2001	2002
Q1	-4.1%	-5.4%
Q2	-6.4%	-3.3%
Q3	-12.4%	+3.8%
Q4	-14.4%	+10.9%

Commenting on the robust uptick predicted for Q4, CMR SVP **George Shababb** told *RBR*, "We are expecting Q4 GDP levels to show a fairly robust rebound." That, however, isn't the half of it. The biggest reason for the gain will be the fact that the take for Q4 2001 is going to be so low. The projection will basically bring the advertising industry back to the Q4 1999 level.

Advertising Q4 revenues

1999	\$27.4B
2000	\$29.1B
2001*	\$25.0B
2002*	\$27.7B
* = projected	

The chart below gives CMR's 2002 forecast broken down by medium. CMR does not currently measure local radio, although Shababb said this category may be added as early as this year. The projection for the combined categories of national spot radio and national network radio is expected to mirror the advertising industry as a whole with a 1.6% gain. Radio is, of course, much more impacted by results at the local level. Below are CMR predictions by type of medium.

Growth estimates for 2002 by media

Medium	Growth estimate
Internet	8.8%
Newspapers	3.1%
Spot TV	2.5%
Network TV	2.0%
Outdoor	1.8%
National Radio	1.6%
Cable TV	1.1%
Syndication TV	1.1%
Magazines	0.6%

Source: CMR, a Taylor Nelson Sofres company

A new entry into *RBR*'s stable of revenue gurus, Standard & Poor's **Howard Choe**, is predicting an overall 3% gain for radio in 2002. See story, page 2. For even more guru future visions, see *RBR*'s special, 1/14, p.8-9.—JM, DS

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

Editorial/Advertising Offices

6208-B Old Franconia Road
Alexandria, VA 22310
PO Box 782 Springfield, VA 22150

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

Email Addresses

Publisher: JCarnegie@rbr.com
Editorial: RadloNews@rbr.com
Sales: KLee@rbr.com
JNeff@rbr.com

Bradenton, FL Office

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

Nashville, TN Sales Office

June Barnes
Phone: 615/360-7875
Fax: 615/361-6075
Email: JBarnes@rbr.com

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Behind the Berman assault on CCU

Clear Channel Communications (N:CCU) has attracted yet another full-scale assault. This one, aimed at both the DOJ and the FCC, comes from Congressman **Howard Berman** (D-CA), who represents California's 26th District in LA County (see story, p. 1). Berman told *RBR* he was contacted privately by numerous artists and entertainment companies from his district. He says that some of CCU's alleged activities are made possible by consolidation.

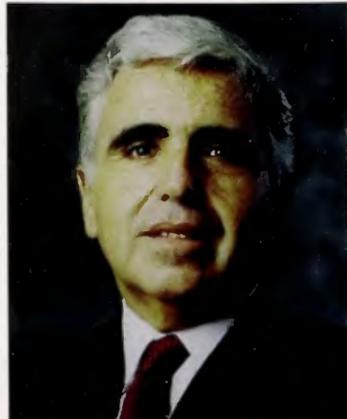
"A number of recording artists, competitors in the radio and television business, and other constituents involved in the entertainment business have expressed concern to me over the past months about consolidation in the radio, television, and concert promotion businesses. I cannot share their names because they fear retaliation for coming forward," he said.

On the station parking issue, Berman said in the letter that [Attorney General **John Ashcroft** and FCC Chairman **Michael Powell** should "fully investigate these 'warehousing' and 'parking' allegations, and if true, should prosecute any violations of law...It is also apparent that any investigation of possible antitrust violations by Clear Channel must consider the existence of warehousing or parking arrangement."

Does Berman have any Republican support in a Republican-controlled House? "We actually didn't try to float that letter with any of our Republican counterparts, because I don't know where they would come out on the issue. But certainly, it's an issue that Congressman Berman plans to push not only as the DOJ and FCC investigate, but hopefully through committee. So we'll find out in the future where our Republican colleagues are," said Berman spokesperson **Alec French**.—CM

Drama grows in Viacom soap opera

Rumors of a rift in the executive suite at Viacom (N:VIA) were played up in prominent stories last Monday (1/21) in both the *Wall Street Journal* and *New York Times*. Both raised the specter of a personality clash leading to CEO **Sumner Redstone** giving the heave-ho to President **Mel Karmazin**. Unlike a recent *Los Angeles Times* story, both stories last week noted that Karmazin and seven associates are secure in their Viacom board seats for a bit



Mel Karmazin

more than a year yet—and that it takes a vote of 14 of Viacom's 18 directors to oust Karmazin, as reported by *RBR* (1/14, p. 4).

The WSJ story was far more negative. In it Karmazin was quoted as indicating that any attempt to reduce his authority when his contract comes up for renewal next year will have him hitting the road. "I think I could get a job," he's quoted as saying. The *Times* story quoted Redstone as characterizing reports of the rift as "garbage"—insisting that Karmazin is doing a "fine job" and saying that the two get along fine. Both stories quoted Wall Street observers as warning that ousting Karmazin would be a disaster for Viacom's stock price.



Sumner Redstone

RBR observation: We were pretty much alone in saying that CBS shareholders were short-changing themselves by accepting non-voting stock (N:VIAb) in the merger with Viacom (*RBR* 9/13/99, p. 6), but we were right on the money—literally. Sumner Redstone holds the dictatorial power to do something really stupid next year. The odds are against him pushing Mel overboard, since it would do so much damage to his own company and net worth, but there's nothing to stop him if Redstone's ego overwhelms his common sense.—JM

Standards standardized for Miller, Kaplan markets

An industry advisory committee has adopted new uniform national

standards for all markets where radio revenues are reported to Miller, Kaplan, Arase & Co.—resolving disagreements which had arisen in LA (*RBR* 1/14, p. 4) and elsewhere. The new standards adopted by the Radio Industry Market Revenue Measurement Committee, under the auspices of the RAB, will take effect with the January 2002 report in all 140 Miller, Kaplan markets.

Miller, Kaplan partner **George Nadel Rivin** said new forms are being sent to stations for the January report.

There are now three major categories: Local Spot, National Spot and Network/NTR/Non-Spot/Other. The latter is a new category for some markets. Nadel Rivin said some markets may still want to have further break-downs, but that all will be within those three main categories. "The purpose of the standard is to create uniformity in cross-market analysis," he noted.

"We strongly urge markets that utilize accounting firms other than Miller, Kaplan to implement these uniform reporting standards," said RAB President **Gary Fries**, on behalf of the industry committee.—JM

News about News

All News radio took off in the Fall 2001 Arbitron survey, according to a study just released by Interep (O:IREP). In the top 10 markets, listening (aqh, or average quarter hour) is up 17% for the format, and total or cume listening is up 16%. Nearly one in four people over the age of 12 tuned into the format.

Listening in automobiles was up even more, jumping 25%. Office listening was up 15% and weekend listening surged 25%.

"All News radio remains the top choice for news and information for millions of Americans," said Interep Research Division EVP **Stu Naar**. "All News is a must-have on most pre-set buttons.

RBR observation: Every silver lining has a cloud, and the clouds in this instance are the murky

shrouds which obscured the New York skyline on 9/11. No consultant could have done for the News format what **Osama Bin-Laden** did that day. This editor was already a daily listener to the All News format, and I will never forget the fact that I was on my way to the *RBR* offices on I-95 North about a mile past the Lorton, VA exit when I first heard about the plane crashing into the WTC on Bonneville's WTOP-FM. For those of you new to the ranks of daily News listeners, welcome. And I hope we never hear anything like that again.—DS

Radio impact mostly psychological as Kmart files Chapter 11

A month ago it would have been unthinkable, but by the time Kmart (N:KM) filed 1/22 for Chapter 11 bankruptcy reorganization, the company's fortunes had fallen so rapidly on Wall Street that no one was surprised by the action.



Bonnie Press

In announcing the widely-expected Chapter 11 filing, Kmart said it had obtained \$2B in debtor-in-possession financing from CS First Boston, Fleet Retail Finance, GE Capital and JPMorgan Chase Bank. The giant retailer is calling the bankruptcy reorganization a "fresh start" and is targeting 2003 for emerging from federal bankruptcy court oversight.

National reps say Kmart wasn't a big spender on radio, but they

S&P guru forecasts 3% radio growth

The latest 2002 growth forecast for radio comes to *RBR* from **Howard Choe**, who took over the broadcast/cable analyst chair at Standard & Poor's a little over a year ago. In line with the majority of other forecasts (*RBR* 1/14, p. 8-9), Choe is expecting modest growth this year for radio—a gain of 3%—and much the same for TV and cable.

"Aside from the Olympics and the political advertising, I think the main driver is going to be improved confidence from consumers," Choe said. "I don't think it's going to be a quick rebound. I think it's going to be a gradual process."

Although there are signs that the economy has bottomed out, Choe is still concerned about the nation's unemployment rate. Although the job market appears to be stabilizing, the S&P analyst thinks the possibility of losing one's job is still a worry in many people's minds and could adversely affect consumer confidence.—JM

Howard Choe's forecast

Medium	2001	2002
Radio	-7%	+3%
TV	-12%	+3%
Cable	+3%	+5%

Source: S&P



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would hate to lose the business nonetheless. At Katz Dimensions, President **Bonnie Press** told *RBR* that Kmart spent \$373M on advertising in 2000, but only \$7.1M went to national spot radio and a mere \$275K to network radio. For the first three quarters of 2001, Kmart increased radio network spending to \$2.6M, but reduced spot radio to \$1.7M—out of a total of \$218M, with newspapers and network TV getting the biggest slices of the pie.

"It's more psychological for radio than anything else," Press said of Kmart's bankruptcy filing. "They always seemed larger than they were because they would come in and buy mini-flights, so to speak. If they had their jewelry sale or their 'come in and buy a new set of tires sale' they came in with three-or-four day flights—so it always seemed larger than it was because it always seemed like you were working on something for Kmart. Being that it was all small flights it was small dollars, but they would add up over the course of the year."

At Interep, **Michele Skettino**, VP of Marketing Communications, agreed that Kmart's spending was a small part of the \$3.6B national spot radio business. Even so, she said, "Radio would hate to lose any spending by the #2 discount department store in the country."

She also noted that the Chapter 11 filing doesn't mean that Kmart won't be buying any advertising. "In fact, it may even increase, as they seek to rebuild their market share and promote their exclusive brands, such as **Martha Stewart**. I have read that the former CEO admits that decreasing their advertising over the past year was definitely a mistake.

"Meanwhile, Kmart's main competitors—Target and Wal-Mart—continue to spend. From January to October 2001 (the latest available figures), Wal-Mart increased total advertising 2% and Target held steady (-2%) compared to the same period last year. Meanwhile, Kmart decreased total advertising 13%. During this same period, Target actually increased their radio spending by 9%," Skettino noted. "So, while radio advertising by Kmart during the coming year is uncertain, the entire category of discount department stores is likely to remain healthy, as Wal-Mart tries to hold on to market share and Target tries to move up in the ranks to take the #2 position."—JM

Sportscaster to become federal judge

WACC-AM Miami play-by-play sportscaster **Jose Martinez** is expected to be nominated by President **Bush** to serve as a federal judge in Miami, according to a report 1/23 in the *Miami Herald*. Of course, the part-time job broadcasting University of Miami football games in Spanish isn't Martinez's only career. He's a lawyer, former federal prosecutor and once headed a regional drug enforcement office for the US government.—JM

Miami host pleads guilty in kickback case

WQAM-AM Miami Sports Talk host **Jeff Defforest** pleaded guilty 1/17 in federal court to paying illegal

kickbacks and was suspended by the station before his next show was due to air 1/18. He admitted paying as much as \$70K in kickbacks to the marketing director of Miccosukee Indian Gaming to get a contract worth hundreds of thousands of dollars over several years to broadcast a weekly TV sports show from the tribe's Tamiami Trail Casino. That TV show aired on the Sunshine Network, a regional TV network in Florida. The tribe's marketing director will have his own day in court this week.

Although the kickbacks related only to the TV project, Beasley's (O:BBGI) WQAM has taken Defforest off the air indefinitely. "We had no prior knowledge of Jeff's situation and were surprised by these developments," said WQAM VP/GM **Greg Reed** in a company statement. "Mr. Defforest has been suspended from the stations, effective immediately, until we can thoroughly review all of the facts and circumstances surrounding this matter."

After the appearance in federal court, Defforest was quoted in the *Miami Herald* as saying, "I'm obviously disappointed for any inconvenience I've caused WQAM and disappointed I won't be able to continue for the time being speaking to all of our loyal listeners."—JM

Insider pleads guilty in Tribune deal

The US Attorney in Los Angeles announced (1/22) that **Daniel Wooten III** had agreed to plead guilty to one count of securities fraud in connection with the \$8B merger of Times Mirror into Tribune Co. (N:TRB) two years ago. Wooten had been a senior auditor at Times Mirror, but at the time of the merger he was controller of Rustic Canyon Group, a venture capital company that advised the Chandler Family Trust—Times Mirror's largest shareholder—as the merger was being negotiated. Federal prosecutors said Wooten made \$77K in illicit profits (in just a few days) by trading Times Mirror stock based on his inside information about the merger.—JM

Old hat? Format appeals to Boomers

The Baby Boomers generation is now between 37 and 55 years old, and one of the best ways to reach them on the radio is via the Oldies format, according to a new study released by Interep (O:IREP). There are over 800 such stations in the US. 52% of the format's listeners fall right into the Boomer age group, 35-54. 76% are in the 25-54 demo. The format's appeal to men and women is roughly equal.

Spending power is the key to the Boomer generation. As a group, the Boomers are 19% more likely to exceed \$100K in household income, and its median annual income of \$56K is much higher than that of any other group. Total boomer spending—which comprises 52% of all US spending—and we'll let you see all the zeros—is over \$2,000,000,000,000 per year.—DS

RBR News Briefs

At deadline: Ackerley shareholders approve sale

Ackerley (N:AK) shareholders 1/24 approved the company's pending merger with Clear Channel (N:CCU). More than 97.5% of Ackerley's shareholders gave the merger a thumbs up.—JM



Limbaugh listens!

Rush Limbaugh, who underwent surgery in December to restore his hearing after a dramatic loss of all of his hearing this past Autumn, did his show live 1/21, giving the news that his left ear cochlear implant has been a success.

Rush began his show for the first time since the implant was activated: "Greetings to you thrill-seekers, conversationalists, fun lovers and appreciators of medical marvels all across the fruited plain. You are listening to—and so am I—for the first time in three or four months that I'm actually able to hear this show. So I, ladies and gentlemen, am able to join you via a medical marvel, some say miracle."—CM

No cameras for Moussaoui trial

US District Judge **Leonie Brinkema** ruled there will be no cameras allowed in the courtroom of the trial of accused terrorist **Zacarias Moussaoui**. CourtTV had petitioned the court for access to televise, but DOJ filings contended that public viewing of the trial could prompt al Qaeda to go after witnesses.

Brinkema ruled it was up to the Congress, and not her as a trial judge, to change the rule of "Federal Rule of Criminal Procedure 53," which bans radio broadcasting and the taking of photographs during federal criminal trials.

Said Court TV Chairman/CEO **Henry Schleiff**: "We are optimistic that the United States Congress will soon pass legislation permitting cameras in our federal courts."—CM



Abernathy pinch-hits for Powell at NATPE

The National Association of Television Program Executives convention featured a last-minute program change: FCC Commissioner **Kathleen Abernathy** addressed the Las Vegas gathering in place of FCC Chairman **Michael Powell**, who reportedly had a minor illness.

Abernathy preached industry self-regulation of program content, rather than having laws, rules or guidelines come down from the government. She also commended the industry for its response to the events of 9/11. She deflected the issue of on-air liquor advertisements to the Federal Trade Commission. For more on the NATPE meeting, see next week's Television Business Report.—DS

ABC/ESPN rebound part of the NBA

The National Basketball Association has inked a new six-year deal which gives broadcast rights to entities owned by Disney (N:DIS) and AOL-Time Warner (N:AOL). ESPN reports the total pricetag at \$4.6B, or \$765M annually. This represents a 25% increase over the fee outgoing rights-holder NBC was paying. The General Electric-owned (N:GE) net has a four-year, \$2.46B deal, or \$615M annually. ABC/ESPN will pony up \$400M of the annual \$765M pricetag, with the remaining \$365M coming from AOL/TW. The deal will allow ESPN Radio to continue its existing relationship with the NBA.—DS

NAB announces medical benefits plan

Available only to member stations, The National Association of Broadcasters announced a new medical benefits plan available to stations with as few as two employees. "American Media Benefits Plan" was formed in response to suggestions from the NAB Small and Medium Market Radio Committee that NAB explore options for member stations searching for an affordable medical plan. Six separate benefits packages are available.—CM

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Upfront 2002: a look back

In Part II of looking back at Upfront 2002, we ask why many advertisers held back until after the holidays were over before committing. Was anything different this time around? Depends on who you ask. Also, what some buyers would like more of from the networks, and their responses, of course.

Part 2

Why they're spending now

The frenzied pace of some last-minute upfront business makes one wonder. Were advertisers holding back a bit in committing on the upfront because of uncertainty from terrorism? Has confidence returned now that the holidays are over and no major terrorist strikes occurred? Says **Karen Agresti**, SVP/Director of Local Broadcast, Hill, Holiday: "I agree totally. I think that we all wanted last year to end. And now that it's over, it's time to move on and I really do think that clients feel like they've got to get back in business. I just think the whole thing in Afghanistan, about how it's basically been wiped out, I just feel like everybody thinks, 'OK let's get back to business'."



Karen Agresti



Irene Katsnelson

Were some advertisers holding their breath until the holidays went by? "Absolutely. Yes. I think everybody was a little bit reserved in committing dollars. And I know there were quite a few large advertisers that just came in, so I think it was a function of they waited, they saw, and here they are. They're more confident about spending money now," says **Irene Katsnelson**, VP/Director of Network Radio, MediaVest.

Others say it had much more to do with the recession and holding out for better rates than terrorism. "I think it was uncertainty. Advertising is easy for a client to cut back. It's the wrong choice, but it's an easy line item to get rid of," says MediaCom Director, Network Radio Services **Matthew Warnecke**. "They were slower because you couldn't get people to walk as fast because there was always room to get a lower rate."

"It's just what happens when the economy gets skittish—forget 9/11. That's why advertising is a great barometer of whether or not you're starting to emerge from a recession. When the economy is in recession, every brand manager in the world holds on to their ad funds as long as possible because as they do their monthly closes, they will drop that money to the bottom if they're not hitting their numbers. They release the dollars, I don't want to say on a weekly basis, but on a much more last-minute-type deal," explains ABC Radio Networks President **Traug Keller**.

Rhonda Monk, Premiere Radio Networks EVP/Director of Sales says the response from the upfront marketplace this year wasn't solely representative of the unfortunate situation on 9/11, but also the "downward spiral of almost all businesses prior to that date. I don't think the hesitation from some had really much to do with the threat of any further possible attacks on the US. I really think it was a reevaluation and holding money to say, 'hey, let's see what's going to happen.' Maybe some were saying, 'Let's hedge our bets and go into scatter.' From every tendency I see, there's going to be a very healthy scatter market. And maybe once or twice in my lifetime have I seen people do better in scatter than on the upfront."



Rhonda Monk



Natalie Swed Stone

Natalie Swed Stone, Managing Partner/Director of National Radio Services, OMD USA saw no impact whatsoever from 9/11 on this upfront, "My sense of our clients is that it has been business as usual. We weren't sitting on any budgets. Whatever was planned for 2002 prior to 9/11 remained planned. If in fact this recession did happen at the end of March or April, then this softness was coming. That is what we saw, we didn't see fear of spending from terrorism. We had upfront budgets released and we placed them when we felt it was right to place them. Now the difference is how much you get for your dollar this year vs. other years, and we're pleased."

Trading frequency for reach



Matthew Warnecke

Monk adds that while network radio isn't providing frequency as easily as in the past, the flip side of the coin is unprecedented reach for the advertiser's dollar. "I think the most strident statement about the industry that I feel the most proud of is the fact that we're not just a frequency medium anymore. We are finally, and I see this as really a big positive statement about network radio, a reach medium," she explains. "We're 80%+ reach now, and five years ago it was at 63%. I just kept watching that graph go up with every merger. That kind of reach is TV stuff—that's better than cable!"

Adds Warnecke: "Who's to say what turns up as a result of the PPM in Philadelphia. And what is the impact of that information going to show us? The early indications are that radio isn't as frequency medium-oriented as we might have thought. I mean it's a very early read and who knows if it will be borne out by the data, but maybe radio isn't exclusively frequency after all. It actually is closing the reach gap [with other media]."

More frequency and better inventory

Networks are always striving to get more business from the buyers. They debut new ad networks, tweak existing ones, add better stations, etc., to attract more business. What issues does network radio need to address better; and what has network radio already done to improve the marketplace?

Reach vs. frequency is the age old advertising yin-yang struggle. "My biggest request from the networks is this is a frequency medium, and it's been very difficult to get any kind of frequency on the mass reach networks. They're very low inventory, very high ratings, and of course premium-priced," says Katsnelson. "10 years ago if you look at a prototypical weekly radio schedule, we're talking about starting at 40 spots a week on a network. But now, we're lucky if we get five (laughs). The ratings are obviously a lot higher and you're still reaching the people, but you're not reaching them as many times as you'd like to. I don't know that they've hurt the medium but I think that advertisers still look at radio as a frequency medium, and they really have gotten away from that."

"I would say more more valued, top-tiered inventories I think is what we always seem to have short. I think the issue is more high-quality major market, top-station inventory," Swed Stone attests. "The networks know they need to get more of that. They need to affiliate more major market radio stations and get more of their inventory because that's where the money is. You can get some of that prime inventory, but you have to buy carefully. You have to buy quickly, and maybe it sells out and then you do want more. You have to stay on top of it, you have to get it at the right time, and the question is if a client comes in at the 11th hour, what is remaining?"

"They always say that, but the truth of the matter is are they willing to pay the value of that, because it costs us millions and millions of dollars of compensation to add on those kinds of stations. While I'm sure they understand, realistically I think their desires are higher than their pocketbooks will allow. They've got to show a willingness to understand that to get increased stakes like that then there's some money that's got to be spent. And sometimes they can burn you on that stuff. Therefore, some people are hesitant," responds American Urban Radio Networks President **Jay Williams**. "I think the marketplace has enough inventory to serve all advertisers who are currently or have expressed an interest in this medium. Lower-inventoried nets mean a wider variety of clients are utilizing the medium. That's sometimes a good move to ensure you can deliver what a client needs and also managing the resources of your organization."

Buyers can certainly get frequency by shopping around and/or buying spot on top of network, says Monk. "Personally, the sell for radio has always been a frequency medium. I certainly think that frequency can be delivered but it's got to be with perhaps different properties than they're evaluating on. With the RADAR properties, the tendency has pretty much been for all of the industry to convert a lot of their networks to lower inventory models to attract these bigger and higher-ranking stations. But I believe that the ability to look at packaging networks together can provide the duplication you can get, between two and three different networks, whether under the same corporate umbrella or between two corporations."

"The trick is always to balance frequency and stations appropriately. Do you buy one 20 rated spot or 200 .1 rated spots? Well the answer is you go somewhere in the middle. That's the buyer's role—to see advantages and disadvantages in all of it and piece networks together so that the end of the day the composite schedule is at the right levels of both of those arenas," Warnecke says.

"We're aware of that and we're always willing to do it. It is a frequency medium, I agree with our folks on the other side of the desk. If you notice, our major networks are still full-inventory networks—Prime, Platinum and Genesis. We could create a network that is like a 10.5 rating, 20 units a week and cherry-pick. But that isn't how the medium works for advertisers. We've addressed concerns—we just added KLOS-FM in LA because there was a hole there and we needed to fill it," states Keller. "I would say between Premiere, Westwood and ABC, they are getting the best stations in the Country. You've got the Top 10 News-Talk stations in America when you buy ABC Prime; and Clear Channel, with their gems, they've got FM stations covered; if you look at the CBS Radio Network—it depends on what genre you're going after, but you do get the best stations."

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* (Projections by ABC Radio Networks Research Department based on RADAR 70, Summer 2001, Network Audiences to Commercials within Programs, Monday-Sunday 6AM-12Midnight; and, Arbitron, Spring 2001, DMA, AQH, Monday-Sunday 6AM-12Midnight.)

** (Source: Yankelovich Partners Inc. 2000. ABC Radio Networks Brand Equity Study.)

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Buying power, increased awareness to fuel Urban's growth

The Urban format will continue growing in 2002. The African-American market, Urban's largest listening group, has reached 12.3% of the population according to the 2000 census. The most important factor to advertisers, however, is that African-American buying power has almost doubled since just 1990, according to Interep. It's now a market of 35M consumers with over \$572B in buying power. African American household incomes rose 60% over the past decade and now almost one in three African-American families earns \$50K+.

To help underscore the value in these facts, Interep's fourth "The Power of Urban Radio" seminar is set for 2/1 in NYC. Over 350 advertisers, media decision-makers and Urban marketers are expected to attend, focusing on African-American consumers and Urban radio. "The Power of Radio is a half-day symposium that's devoted specifically to educating advertisers, national marketers, ad agencies and broadcasters on the tremendous buying power of the African-American marketplace—and to tactically explain how Urban radio is the most effective medium by which to deliver it," says Interep VP/Director of Urban Radio **Sherman Kizart**.

Kizart says the perception with some, quite frankly, is that African-American buying power still isn't substantial, that the educational levels aren't equal to those of the general market's and that it isn't a desirable market to target: "The fact of the matter is there's still a number of marketers who don't get it. If they're interested in growing their revenue streams, they have to tap into emerging markets, particularly when you look at the current economic climate our country is in. The African-American marketplace represents \$572B in buying power—more than Mexico, Russia, Netherlands, India and Sweden—it's the 11th largest GNP in the world. When marketers and their agencies understand the tremendous buying power, the cultural blinders oftentimes seem to come off."

Arbitron also released a new study by **Julian Davis**, Arbitron Director/Urban Radio Marketing Services 1/22, the "Arbitron Black Consumer Study." Among its findings: 48.1% of Black Americans own their own homes; Black Americans are nearly twice as likely to work in a white-collar job than a blue-collar job; and Urban AC listeners index the same or higher in education levels as total adults, age 18 and older.

Growing investments in a growing format

There's been a tremendous consolidation within the Urban field. Radio One (O:ROIA) is the dominant player, with Clear Channel (N:CCU) and Cumulus (O:CMLS) pulling the station numbers and Emmis (O:EMMS) grabbing the biggest single revenues, with KPWR-FM LA and WQHT-FM NYC. Radio One is now in just about every major market other than NY: Washington, LA, Detroit, Atlanta, Philadelphia, Houston, Miami, Baltimore, Dallas, St. Louis, Cleveland, Boston, Richmond and Charlotte. Between 2000 and 2005, Interep predicts the total number of Urban radio stations are projected to grow by an additional 24%, from 389 to 438. 10 years ago, there were only four variations of the format: Black News/Talk, Urban AC, Gospel and Urban Contemporary. By 2001, the number of total Urban formats doubled: add Hip-Hop, Rhythmic/Urban Oldies, Adult Urban Inspirational and Classic Soul/R&B. "Urban radio, through all the different variations of the format, has grown by more than 100% from 1990-2001. It's that kind of growth through different variations of the brand that clearly supports the 24% increase," says Kizart.

"Everything used to be lumped into just Urban. Now you've got so many different varieties. It's made for more stations that are playing a variety of Urban music in a market. Whereas before I was using one headline Urban station and maybe a small AM Gospel station, now you can have two or three. With the format itself being so diversified, it's presented some new opportunities for us," Excelsior Radio Networks/Walt "Baby" Love Productions Director of Affiliate Relations **Shelley Katz** tells *RBR*.

For the more established, older demos, WRKS-FM NY News Director **Bob Slade** tells *RBR* that the Black Talk format is really gaining in popularity: "For some reason there's an image in the industry that its all radical and it's all 'hate whitey' and that's not true. That's what Madison Avenue thinks. No. We want to talk about the



Sherman Kizart



Traug Keller

same things that **Rush Limbaugh** talks about. We talk seriously about the issues. I think that Black Talk is an untapped reservoir. We have two Sunday talk shows and the ratings are very high. I think the reality is the Black folks want more than just music and commercials."

Urban also doesn't necessarily mean African-American. Urban radio draws more than Black listeners, especially in the younger demos. According to a survey of 1,015 music consumers done by the RIAA, Hip-Hop music by itself was noted by 29% as their favorite choice across the board. It's a lifestyle thing that crosses racial boundaries. "Just to show strong the format is, I do know that based on Adults 12+ in the NY market alone, while the Black population is about 18%-20%, the Urban stations there control about 35% of radio listening. And that can be found across most of the Top 20 and certainly the Top 10 markets—the share of listenership for the Urban formats far exceeds that of the population," says **Brian Knox**, VP/Managing Director, Katz Urban Dimensions. "What that says to me is Black radio is doing a good job in reaching the black populations in their respective markets, and also doing a good job of attracting other listeners as well. Advertisers need to recognize that and utilize the strength of this format more."

One of the panelists at Interep's upcoming Urban seminar, **Matthew Warnecke**,

Selling Urban: Bang for the advertiser's buck

The biggest sell for Urban is bang for the buck—targetability, brand loyalty and the call to action of many Urban listeners. Says Keller: "We did spend a lot of money on the Yankelovich study to demonstrate that. It says that the African-American listener is very much in tune with their radio stations and they react to the messages they hear on those stations because that's part of their community and they're loyal to that community. We take it out to the advertising community, and they're receptive to it and it works."

The message is definitely resonating. "I'm seeing more advertisers focusing on the audience that's delivered by Urban music and recognizing that perhaps in the past it may have been shortchanged or that the power of the audience that listens to Urban radio has been fully valued. Now they're recognizing its true value," says Warnecke. "It's a valuable segment of your brand's target. Sometimes it's also the propensity of that audience to purchase your product and use your product—ie. if you're selling aspirin, the turnover rate or the usage rate of certain products is higher among the audience of Urban stations. Therefore, the dollars are more effective."

"African-Americans spend over 28 hours a week listening to the radio, more than any other ethnic group. So we say to marketers, if you're looking to tap the African-American marketplace, the best way to effectively target them is radio," adds Kizart.

"First, we establish the Black consumer market is different in various ways. 1) Culturally different—the beliefs and mind set of Black Americans—the importance of family, religion, cooking in the home, all very different than the general market. 2) We also have to establish the gender and age difference. It's 55% Women and 45% Male (the white population splits up almost 50-50); the median age difference is six-seven years younger than the total population. What that means to an advertiser is tremendous. 3) How this group uses media and what the different media options represent in terms of their daily life and activities," explains Knox. "I sell radio, so I sell radio as the medium that gets the most TSL amongst African-Americans. There's an educational process that we have to take people through so that they don't look at the Black population the same way they look at the overall population."

Even with all of the Urban format's growth and increased awareness in the advertising community, the challenge for Urban has always been on the financial portion, particularly as it relates to minority discounting (forcing lower CPPs on minority stations) and the resulting low conversion ratios (market share to revenue share; if you have 10% of the market's listeners, you should have 10% of the market's revenues). "In 1990, Urban radio was still at the conversion rate of .76. Ideally you want a 1:1 ratio. Urban was getting 24% less than what it deserved in 1990. In 2001, that number is up to .92. I think that speaks to advertiser acceptance of the brand," says Kizart. "What we're projecting by 2005 is that Urban radio's conversion ratio will be a little bit below a 1:1 ratio. That's not good enough, but quite an improvement."

MediaCom Director, Network Radio Services, agrees more formats mean more stations. As a national radio network buyer, though, he's not typically buying on Urban's specific subformats: "That's less of an issue from a national perspective because you're not going to get an R&B network nationally or a Rap network nationally or a Smooth Jazz network nationally. We're going after a slightly looser target audience or certainly not by format. Because in Market A that audience might be delivered in a Smooth Jazz format, but in Market B that same audience is going to be delivered by your R&B station."

Adding heat to an already red-hot format, ABC Radio Networks' Urban Advantage Network (UAN) became the largest radio network that reaches the African-American marketplace when it struck a deal to add a portion of most of Radio One's 65 stations' commercial inventory (*RBR* 11/12/01, cover). By making Radio One stations its affiliates, UAN will now reach 93% of African-American consumers with 163 affiliates. "We couldn't be happier. It's targeted, it's got major markets and the major stations that advertisers are looking for. It just goes to show when you put together a network with major market FM stations it moves," ABC Radio Networks President **Traug Keller** tells *RBR*.

What's Keller's 2002 prediction for ABCRN/



Jay Williams

UAN? "I think we'll see a continuation of the build in terms of ad revs. We I think really have kind of led the way with major advertisers, especially with **Tom Joyner** and **Doug Banks**, breaking through that this is an extremely loyal audience."

"I think ABC is a marquee brand in the industry. The fact that ABC saw the significance and wanted to invest its resources and enter a strategic alliance with Radio One gives you a clear indication of the strength of Urban radio as a brand," says Kizart.

American Urban Radio Networks (AURN) President **Jay Williams** says the UAN-Radio One deal further exemplifies the fact that the Urban genre is booming. The deal actually didn't change any of AURN's affiliate list of stations—it just provides one more valuable ad vehicle to the buyers. "We believe anybody's entry into the Urban programming field continues to show the importance of this medium for advertisers. Anything that helps to expand the dynamics of the ever-increasing Urban marketplace, we believe that's good for all parties," Williams tells *RBR*.

What does Williams forecast for AURN in 2002—anything different with strategy? "From AURN, you can certainly expect continued growth in our programming menu and look for some new programs to start shortly that adds to our programming diversity. We've expanded our promotion division, SPM Urban Network, by increasing staff and refocusing our service approach for the affiliate stations. We've also beefed up our event marketing operation to better provide promotional platforms for agencies and advertisers. Major events, to be announced, that are Urban in orientation are frankly, through the roof. We're proud that we continue to produce over 290 weekly programs and to remain the largest provider of Urban programming in the entire US."

Another forecast you can probably bank on in 2002: "Viacom owns BET so it's likely that Westwood is working on radio content from BET," a Westwood source tells *RBR*. Currently, Westwood has virtually no Urban product, so expect that to change.

Arbitron reports steady growth

Proving that it is more recession-resistant than most companies, Arbitron (N:ARB) reported that Q4 revenues rose 9% to \$51.4M, with recently acquired RADAR providing \$1.9M of that and 4.1% of the growth. Earnings before interest and taxes declined, however, to \$9.3M from \$11.9M a year earlier. The company said that was due to increased spending related to such things as RADAR, its Personal People Meter test project in Philadelphia and its webcast measurement business.

That Q4 revenue figure included a retroactive contract renewal with Entercom (N:ETM), without which the growth would have been 7.7%.

For 2002, Arbitron is forecasting continued revenue growth of 9-11%. While it will continue to develop the webcast measurement business, spending will be cut back. But it's full ahead for PPM and CEO **Steve Morris** assured analysts that Arbitron's relationship with Nielsen is "solid and secure." He expects to announce a formal joint venture for PPM around mid-year.

"We are not immune to that environment," Morris said of the recession plaguing Arbitron's media clients, and insisted that while Arbitron is expecting growth this year, it will not come easily. To compensate, Morris noted that Arbitron has been expanding—citing its acquisition of RADAR and its newly launched radio ratings in Mexico City and its new division for outdoor advertising.

He also noted that the pending contract talks with Viacom's (N:VIA) Infinity Radio are an area of uncertainty. Those contracts, worth about \$19M per year to Arbitron, ran out at the end of December, but due to the built-in delay in ratings delivery, Infinity won't be without ratings data for a few months.

"This will be a difficult negotiation and, like Clear Channel (N:CCU) last year, will probably go down to the wire," Morris said. "Infinity represents about 10% of our business, so obviously the outcome is very important to us."

RBR observation: Unlike Clear Channel, it doesn't appear that Infinity is trying to overplay its hand—just good old fashioned tough bargaining.



Hugh Panero

XM reports first revenues and 30K subscribers

After more than a decade in development, DC-based XM Satellite Radio (O:XMSR) reported its first significant revenue in its Q4 earnings report (1/24). Although the quarterly loss more than doubled over Q3 figures, for the Q4 of 2001 XM reported a loss of \$149.8M (\$2.26/share) on revenue of \$532K. For the same period in 2000, XM's losses were

\$19.8M (40 cents/share) with no revenues. XM last October posted a Q3 loss of \$70.8M (\$1.14 per share) on revenue of \$1,000.

XM said it brought in \$294K in revenue from advertisers and \$245K from subscribers in Q4. It completed its nationwide commercial rollout 11/12/01 and reached 27,733 subscribers (it now has over 30,000). XM also closed \$164M in additional financing from common stock and a financing package from Boeing, to last it through Q4 2002. XM has raised a total of \$1.6B to date. Also in Q4, General Motors introduced the first OEM XM-equipped Cadillacs into the new car market in November.

CEO **Hugh Panero** said he expects to have 70K subscribers by the end of Q1 '02, 130K by the end of Q2 and 350K by the year's end. OEM subscriber growth isn't expected to begin peaking until late Q3 to early Q4, with the expected widespread expansion of the option in 21 other GM models. Other automaker partners are expected to begin offering OEM XM receivers in Q3 '02.—CM

Brill bondholder seeks to force bankruptcy

As last week's issue went to press, detailing the financial woes of Brill Media (RBR 1/21, p. 12), a major holder of Brill Media's public bonds was filing to try to force the company into bankruptcy liquidation. Los Angeles-based TCW has asked a federal bankruptcy court in Evansville, IN to order Brill Media into an involuntary Chapter Seven bankruptcy, which would sell off the company's assets to satisfy creditors.

As reported last week, Brill had defaulted on a \$6.3M interest payment that was due to be paid to bondholders last month.

According to the *Evansville Courier & Press*, TCW is seeking to have CEO **Alan Brill** removed from control of the company—charging that his equity is essentially worthless and that he has been taking actions to benefit himself, as 100% shareholder, at the expense of his company's creditors. A response from Brill is expected within 20 days.

Moye launches new group in coastal Carolina

Former Clear Channel GM **Macon Moye** has teamed up with Charlotte investor **John Harris** to launch a new group, Padner LLC. First buy: WAZO-FM & WRQR-FM Wilmington, NC. They're paying **Carl Ventner** and other shareholders \$6M in cash and a note for \$800K for 86% of the stock of Ocean Broadcasting LLC. GM **Chuck**

Sullivan will hold onto his 14% stake and has signed a new three-year employment contract.

Ingstad returns to Bismarck

Jim Ingstad is teaming up with his former GM and GSM in Bismarck, ND—**Bob Denver** and **Terry Fleck**, respectively—to re-enter North Dakota's capital city. Ingstad sold his four Bismarck stations to Cumulus (O:CMLS) for \$7M in 1998. Then Cumulus cut a deal to add three of Anderson Broadcasting's stations—KBMR-AM, KXMR-AM (then still a CP) & KSSS-FM—for \$4.5M (RBR 1/12/99, p. 12), a deal that sat around the FCC for nearly a year until then-Chairman **Bill Kennard** decided to make it a test case for his theory that the FCC could negate the ownership limits established by the 1996 Telecommunications Act by arguing that the public interest required it to limit consolidation (RBR 12/11/00, p. 3). Rather than get tied up in that mess, the Anderson family withdrew the FCC application and hired Denver and Fleck to run its stations.

Now Ingstad, Denver and Fleck have created Pro-Radio to buy the four Anderson sta-

tions, including KQDY-FM. Financial details haven't yet been revealed, but an LMA will take effect next month. "Right now it's just the Bismarck market," Denver said of the new company's aspirations. **Broker: Jody McCoy**, McCoy Broadcast Brokerage

UC Santa Barbara seeking to acquire KDB-FM

The University of California Santa Barbara (UCSB) is trying to raise \$3.6M to purchase KDB-FM and maintain the station's Classical format. After getting an offer of \$5-6M from a would-be buyer who wanted to change the format, Pacific Broadcasting gave UCSB until 3/31 to acquire the station. According to a UCSB announcement, 21 local cultural arts and community organizations in Santa Barbara and Ventura Counties are participating in the fund-raising drive.

UCSB Development Director **Marsha Marcoe** told RBR that about a half million has been raised so far from some 400 small donors, but she has a couple of "angels" waiting in the wings to write big checks once it's clear that the effort has lots of community support. And yes, the station will remain commercial under UCSB ownership.

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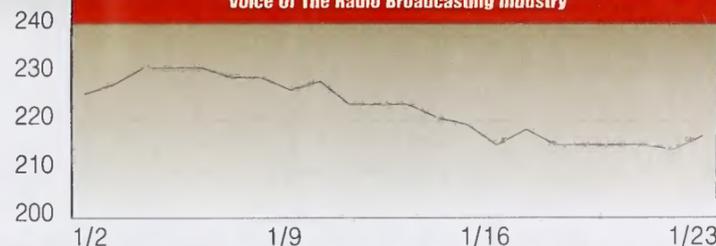
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