

**3M**

Broker's view on  
what's left to buy — **Page 30**

**News/Talk**

Fox vs Westwood  
The battle before the war **Page 26**

**Sales**

Paul Weyland gives you the  
"Magic Number"—**Page 28**

# Radio Business Report

**Voice of the Radio Broadcasting Industry®**

Volume 20, Issue 4

April 2003



## **Programming for Profit**

Liberal advice from  
Eddie McLaughlin.  
**page 14**

## **GM Talkback**

What they learned  
when sales got static.  
**page 6**

## **Adbiz**

Stacie DeArmas of  
Arbitron tells their side  
of the Hispanic issue.  
**page 8**

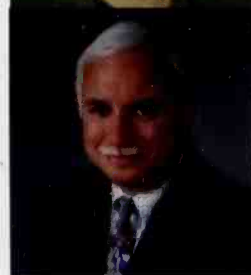
## **Engineered for Profit**

Manufacturers go  
on air about digital  
systems. **page 8**

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Find out what these people and  
others would do in his shoes  
**page 18**



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# RADIO NEWS®

## Powell wants ownership vote by early June

Don't circle the date on your calendar or anything, but FCC Chairman **Michael Powell** did mention June 2 as a possible date to schedule a vote on the Commission's wide-ranging review of broadcast and newspaper ownership regulations.

During an appearance at The Media Institute, Powell said "We intend to be done by the first week of June. We've tentatively scheduled an open meeting for June 2."

An FCC spokesperson told RBR, in so many words, that the emphasis should be on "tentative." No date has been officially scheduled.

Powell, in general, has been pushing to get on with the proceeding. Meanwhile, Democratic Commissioner **Michael Copps** has been playing for time to gather further information.

At the 03/27/03 appearance, Powell repeated his insistence that the ownership debate stick to the law and the facts. "We need compelling proposals, not rhetoric, and defense of those proposals, not the usual alarmist political attacks designed just to prevent change," he said.

The last day to file reply comments on the six-part ownership NPRM was 2/3. Despite that fact, at least three public forums on the topic are in the works, including a session in Durham NC next Monday 3/31. The other sessions will be held in Chicago and Phoenix (3/27 RBR Daily Epaper #61).

Copps and fellow Democrat **Jonathan Adelstein** are expected at the North Carolina meeting, and Copps has said he'll go to Chicago as well. None of the three Republican Commissioners, Powell, **Kathleen Abernathy** nor

**Kevin Martin**, have indicated any plans to attend any further public forums.

Public meetings have also been held in New York, Richmond and Seattle. On Capitol Hill, at least two committee meetings—one in the Senate and one in the House—have brushed upon the topic, as did a third session—a public grilling of Clear Channel Communications (N:CCU) honcho **Lowry**

**Mays** by **John McCain's** Senate Committee on Energy, Commerce and Transportation (1/31 RBR Daily Epaper #22) which focused heavily on similar topics. The Washington-New York think tanks have also weighed in on the topic.

The FCC has also received thousands of comments via email from stakeholder companies, associations, unions, consumer and

public interest groups and private citizens.

Also guiding the rulemaking are rulings from the District Court for the District of Columbia Circuit, which ordered the FCC to better justify some of its rules, which it called "arbitrary and capricious." This has led Powell to attempt to build a body of data to do just that.

**RBR Observation:** We suspect that Powell's attempt to come up with a magic formula that will be able to point the thumbs up or down on media transactions is doomed to fail. There are just too many variables and subjective determinations involved.

That said, we've been sitting in the front row of the entire NPRM process, not to mention the events leading up to the official start of the NPRM, and we do know this. It's time to get something on paper and see if it'll hold up under the court scrutiny that will almost certainly follow. It's time for the commissioners and the Media Bureau to hunker down and do their jobs.



Commissioner Michael Copps and Associate Publisher Ken Lee at the 2003 NABOB



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v. as·cend·ed, as·cend·ing, as·cend·s

v. intr.

ASCEND.

To go or move upward; rise. See

To slope upward.

To rise from a lower level or station; advance

poverty to great wealth; ascend to the throne

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Stu Olds

## Rep Rap: Advertisers rebooking after launch of war

One strong indicator of the radio business environment is to check in with both Katz and Interp and get a sense of the marketplace. Yes, a war is on (or was as this went to press), but we all must act like good Marines and adapt. This article is to help give guidance. Local is still

local, so it might be a little different in your neck of the woods.

Interp (O:IREP) CEO **Ralph Guild** said Q1 is still going to be a "good quarter," despite a war-related slowdown in March. Although the war continues, he said advertisers who'd pulled out are already returning to the airwaves.

"During the first weeks of the month [March], pacing slowed due to the uncertainty of the geopolitical climate, then once the war began, many advertisers took a brief hiatus, either intentionally, or due to interrupted programming, however the disruption was brief and at this point almost all advertisers are back on the air and have resumed their usual advertising schedules," Guild said. "Many, as a matter of fact, have run make-goods to replace lost impressions during the time that they were off the air, which means that our revenue wasn't affected as much as it could have been."

**Stu Olds**, CEO of Katz Media Group, which is owned by Clear Channel (N:CCU), spoke about the market now going forward. "We're seeing a bit of a slow unwind in

second quarter right now with, obviously, the Iraq situation. We came up with a very good first quarter and great pacing going into second quarter-and we're unwinding. When this war stops, I think you're going to see a new acceleration of business. It's almost like people are in the starting blocks and waiting to take off. I think when it picks up, it's going to go." **RBR** asked, is it cancellation or delay? Olds responded. "It's delay more than anything. We lost hardly any money to people going off the air who didn't come back on. What we're really seeing now is just a slowness of placement for people looking to spend for the second quarter. So they're placing it later and later and in shorter schedules."

Guild said some advertisers are still taking a wait-and-see attitude, so the war is affecting paces as we go into Q2. He noted that advertisers have returned to the practice of booking new flights only one or two weeks from their start date. At this point, assuming a relatively short war, Interp is predicting that national spot radio will grow by the mid-single-digits in 2003.

"If the war progresses smoothly and the duration is limited, we believe second quarter revenues will rebound and return to more normal visibility patterns," Guild said.

Focusing on categories, Guild said that radio's strongest categories from Q4, including TV/Cable, computers, consumer goods, restaurants, and retail, continued to buy ads in Q1. "Automotive pacing has slowed a bit since fourth quarter, however dollars are still strong. In fact, each of radio's top five categories is pacing up compared to the same period last year," he told analysts. Olds states that at Katz, automotive is still hot.

By market size, Guild noted that major metros are still pacing well for national buys, but the greatest pacing strength is currently in markets ranked 11-50. Stu Olds of Katz did point out stronger business in one area of the country, "There are pockets of strength. The West Coast has held up extremely well during all this. LA is in good shape. San Diego is in good shape. It's really been more of the rest of the country. So, it hasn't hit the West Coast, which is kind of ironic."

**RBR** will continue to monitor the situation both in this product and in **RBR's** Daily Morning Epaper.

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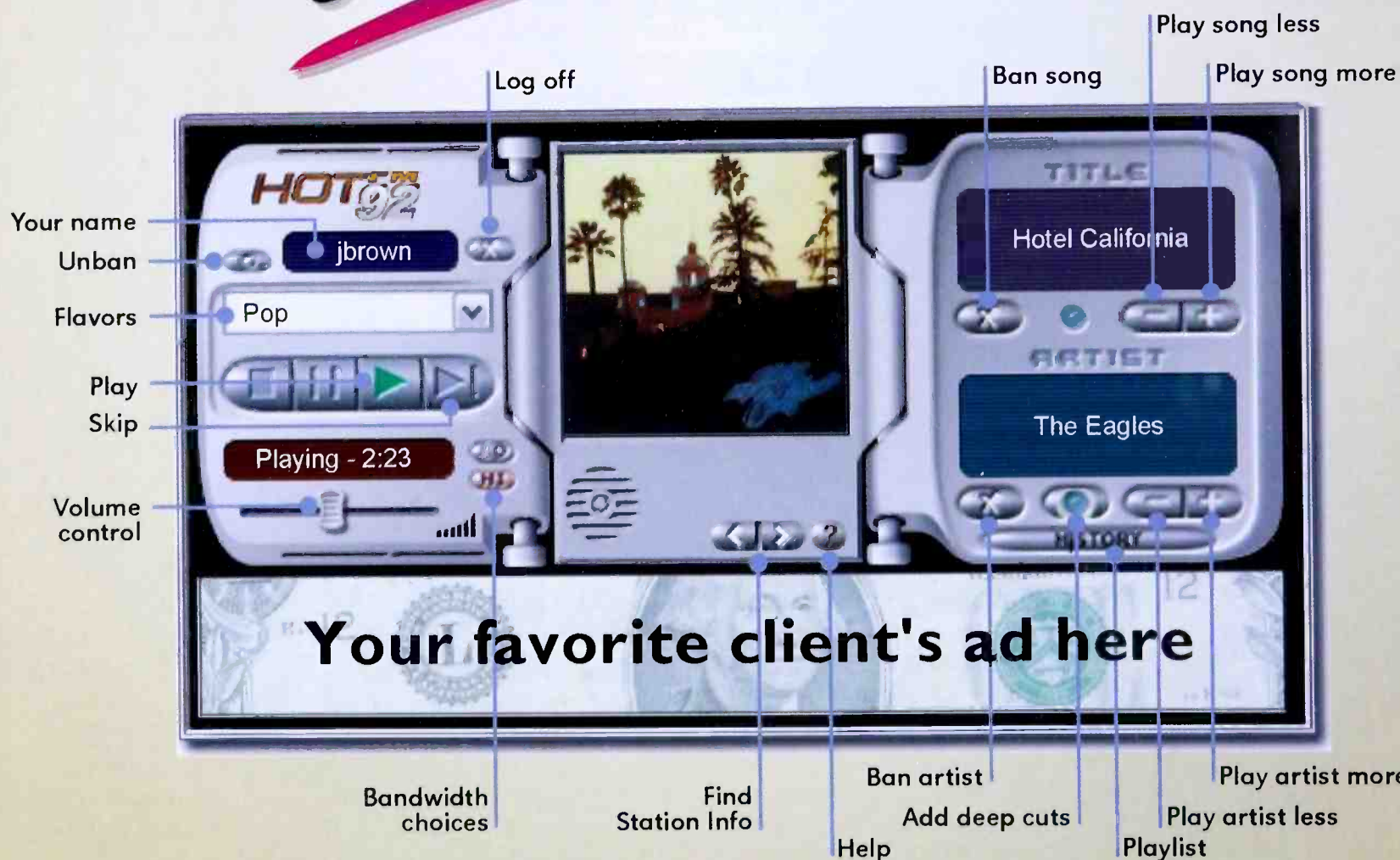


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We ask General Managers from around the country to share with us, and you, their views of the industry. This time we quizzed:

**Tim McCarthy**, ABC Radio's WABC-AM, WQEW-AM, WEVD-AM New York, NY

**Don Raines**, Citadel's WQUT-FM, WJCW-AM, WKOS-FM, WGOC-AM and WKIN-AM Johnson City, TN

**Trey Stafford**, Saga Communications' Triple FM Radio Group's KDXY-FM KDEZ-FM, KJBX-FM, Jonesboro, AR

## What lessons did you learn during the slowdown in ad sales last year?



Tim McCarthy

**McCarthy:** Although our sales were up for the year, and they have been for the last few years in a row, the reality is I think it goes back to the grass roots of radio—that you can't look at a year like 2000 and expect that's the way it's going to be. We're a medium where we have to develop retail business and come up with creative ideas that are going to drive store traffic. That is just not going to change. So as we all look at our business models, to assume that the market is

going to be up 12% or 15% or whatever, we can only make or create that ourselves. And to rely on the agency side of business to deliver our budgets is just kind of foolish.

As far as each of the three stations I manage, WABC had great growth last year, because of ratings and personalities and the imaging of the station and all of that. ESPN (WEVD) was brand new last year. And a station like Radio Disney (WQEW), when there's a market slowdown, we really feel the pain, because any available dollars, when all those stations price, Radio Disney is not going to be top 10. So we have to conceptually create ideas and sell the value of the Disney brand. That's the only way we can grow, and that doesn't change if the market is up, down or sideways. We have to sell the Disney experience that you receive when you advertise on the radio station. It's all local, event-driven. All the individual cluster stations are like that. So whether we're doing an event at a mall or a Dunkin' Donuts or McDonald's, it's grass-roots radio. That's one of the fun parts about it.

I think that one thing that is truly coming out in 2003 is quality local programming, and I'm talking about WABC for example. It's going to determine your success. If you develop strong local talent in general, the station is going to grow, i.e. **Sean Hannity, Curtis & Kuby** in the morning; and on ESPN we have **Michael Kay**. And when you develop those lighting rods, it really can change the whole reception and the growth pattern of the station. It becomes a destination.

**Raines:** I've been in this business for 26 years, and I think it's the same lessons we've learned over and over again. And we always tend to do the same thing, and that is you have to get back to basics with prospecting with your sales department to make sure that we're cultivating new ground, going after new clients. I think when times are really going well, I think we tend to maybe take the prospecting phase a little less seriously than we do when times get tougher. It makes us focus back on developing new business and I think it's one



Don Raines

of those perennial kinds of lessons that we learn every time that we have a slowdown. I think it's a little different now with some of the geopolitical problems we're having. Part of it has to do, I think, with trying to make our clients feel much more focused and keep them on task. Because I think it's very easy, with all the things in the media and the news going on, to get off track with the fact your customers are still out there. You've got to train your salespeople in terms of trying to keep the more positive side of what's really happening in a market and not let the global issues totally overshadow. Because in most of the markets around the country, even some of the markets where you had some downturn, if you really look at the basic economy, it wasn't as drastically down as we felt maybe in the advertising industry. Even though it was down, unemployment was up, jobs were lost, it probably wasn't as bad as we tend to let it affect our business. A lot of times it's just keeping your salespeople focused on developing new business and keeping a positive atmosphere around the existing clients that you have.

Part of what we're experiencing is a bit psychological. It's so amazing when you bring it down to a one-on-one with a client, they normally would spend say \$5K a month with you and even though there isn't a huge gloomy kind reason, they start pulling back some on their advertising. The car dealers are seeing things like people who normally come in every three years to trade hanging on to their cars longer now to wait and see what's going to happen in Iraq. And the domino effect affects us all.



Trey Stafford

**Stafford:** The problem I've got with that one is last year was a really unique year for our company in that it ended up being our breakthrough year. Basically, Jonesboro is about two competitors—us and Clear Channel. Clear Channel and its predecessor had dominated the market for years. We got together in '93 and slowly but surely we got the market rated and finally started winning those ratings. And a couple of years later, which was last year, we finally started to see some moves, especially in the regional agency business, that allowed us to really have a growth year. And so I know it's weird in view of the type year everybody else had, but it was kind of a unique scenario for us. And in the process, we ended up being acquired by Saga. It was a pretty good year for us.

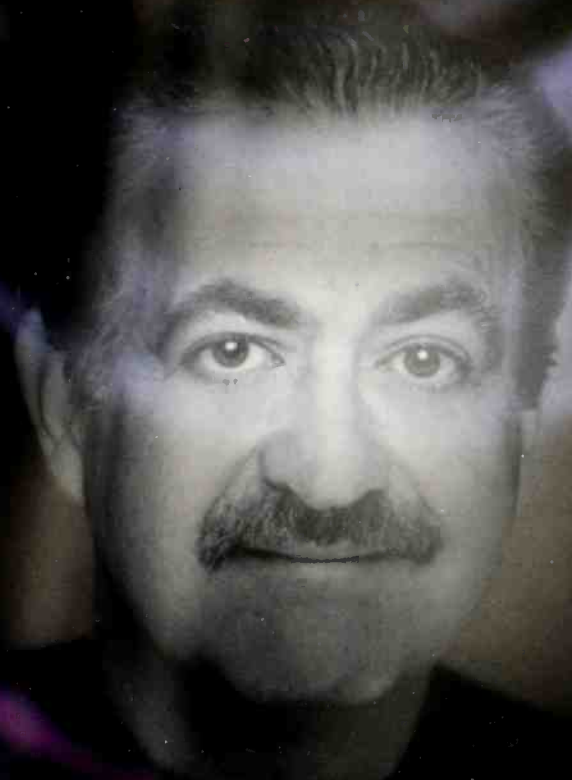
Our group was in a unique situation during the aftermath of 9/11. We were still taking our fair share of this market's radio revenue and, in 2002, saw our real "breakthrough year" happen. We approached market parity in 2002.

We haven't, however, ignored what happened to others, and, as we march in 2003, are continuing to "dance with the one that brung us." And that's the local direct advertiser. He/she is the advertiser we hang our hat on. He/she is the advertiser we work the hardest for, develop the campaigns for and drive traffic for. The regional agency business comes and goes, with us having very little control on what happens there.



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# Measuring minorities: Part II

In Part I, we discussed how agencies and Spanish language broadcasters are concerned over what they call Arbitron's under-measurement of listeners—especially as of late over its announcement (*RBR* Epaper 1/30) it will be at least three years before it can start weighting Hispanic listening by language preference. Arbitron says that can only be achieved by re-engineering its software.

In Part II, we get more detail from Arbitron on why it will take so long to develop the new software and why the company can't just "go back" to its old methodology for measuring Hispanics until the software is done. We also look at how general market ratings can be affected after that methodology is altered. For Part III in May, we discuss African-American marketplace measurement issues.

What does Arbitron have to say in response to Part I, specifically where buyers complained that without reliable numbers, it's harder to convince clients to use radio. They cautioned that ratings books which fluctuate to indicate a drop in an audience that certainly hasn't dropped, may drive dollars to other media, such as television.

"We usually recommend, in the best of cases, that no one wrap their future around one book, that you should keep with the long trend," explains **Dr. Ed Cohen**, Arbitron VP/Domestic Radio Research.



*Dr. Ed Cohen*

"Over time, these numbers point in the right direction and the right place. And it still doesn't detract from the power of radio, regardless. Radio is a marvelous medium for reaching Hispanics or any other group. The usage levels of radio by Hispanics are extremely strong."

"The biggest issue out there is budgetary," adds **Stacie DeArmas**, Arbitron Director/Hispanic Agency Marketing. "Everyone is really concerned that all the Hispanic agencies and Hispanic advertising in general gets only 3% of the general market budget. So with that kind of limited budget, they need to be in radio. We may be going

through some growing pains, but there are natural fluctuations in listening patterns over the course of the year, due to seasonality and other things. Radio remains, especially for Hispanic agencies, the most efficient way of reaching the Hispanic marketplace."

In Part I, we explained how Hispanic respondents need to be weighted by language preference. The first step towards getting the new system in place is by striking a deal with Nielsen for its database of universe estimates used in its TV ratings service—there's no other survey database that includes language preference data. Cohen stresses that until Arbitron arrives at



*Stacie DeArmas*

Universe Estimates (UEs) for Spanish language preference that are acceptable to the whole industry, "Arbitron can't give any indication of whether we're over, under and by what amount. It's not to say the Spanish broadcasters are wrong or right on undermeasurement—we just don't know."

When Arbitron gets use of the UEs, Cohen says the company will do demonstration markets, with LA likely being one of them: "This will be done on a whole different software platform. We won't be able to break out books on it, but it will be able to show what a language-weighted market would

look like. We can do this well before 2006, in fact, not that far off."

As well, for its RADAR network radio measurement service, Arbitron is also introducing improved sample balancing techniques for Hispanic respondents and Black Non-Hispanic that aims to ensure proper weighting for a number of demographic and geographic characteristics.

## Why three years?!

Arbitron is still standing by its estimate of three years for software configuration. Why, exactly, will it take so long? "You're talking about a system that is relatively old," Dr. Cohen explains. "The diary processing system is only about three years old, but most of the system is pretty old and to do something like this, you'd have to essentially graft it onto the old system, one thing at a time. But at some point, you can't keep adding on and adding on. In addition, it would prevent us from doing other things the clients would like us to do, for example total line only (for simulcasts, multicast stations)."

He adds, "However, if you start over, you can incorporate a host of new functionalities—for today and down the road. There are an estimated 300K lines of code. The system is extremely complex. Our sample management system, which tracks all of this, would have to carry the issue of what language is this person dominant in throughout the system. That one system alone is one of 40 different systems we have that are going to be re-worked. And that ties into 13 different other systems."

So, the front end, Arbitron still has to work a deal with Nielsen for UEs. On the back end, says DeArmas, "It will take a year to build the specs. The second year is for the building of the system. And then we need to test. We don't want to just dump it on the marketplace on day one. Especially when it affects all of our core systems."

Arbitron stressed to *RBR* it is committed to language weighting and is doing it as quickly as possible and as safely as possible for the entire industry. "We will not put our current service in jeopardy to get language

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weighting in there," says Dr. Cohen. "In the meantime, because we know three years is a long time, we've offered an interim service. We'll take the Hispanic diaries in our Hispanic service and weight those."

## A temporary fix?

The interim service is a proposal to add language weighting to its existing Hispanic Market Service. It's currently looking for industry feedback on whether it should be implemented. A decision will be made by the end of April whether to go forward. It's an ancillary service that takes all the Hispanic diaries from the syndicated markets, puts them together in two survey lumps—Summer-Fall and Winter-Spring—and reports only Hispanics.

Observes Arbitron Advisory Council immediate past Chairman/current executive committee member and RAB Vice Chairman **David Pearlman**: "This patch that they're offering has some value and it's really bringing to the forefront a product that they've had in place in 24 markets for a while. The problem is that there will be two sets of ratings running around any marketplace."

## How does the buying community view those contradictions?

**Kathleen Bohan**, Research Director, HBCSi (Hispanic Broadcasting Corp.'s sales partnership with Katz Media), says the problem is it's a multi-book average and it comes out a month after the regular books: "So from a comparability standpoint, I wouldn't be able to check book to book. I can only check it twice a year, and even then I wouldn't really be able to pinpoint what it was weighting for because it's not available in *Maximiser* or anything that you could actually compare. What they're basically saying is with this separate entity, they will weight this and not weight the general book. At HBC, we represent a lot of radio stations that are #1, #2 in the general market. Now, we could work with that if a) if it came in a timely manner—if it was book to book, and b) if I could then go in and compare it. But since I can't, that doesn't really help me."

"We feel it is better to have a service in the marketplace that is language-weighted, even though it's two books, than to have nothing," responds Dr. Cohen. "It's a step towards full implementation. It's a step that will allow the industry to take a look at how it's approaching Hispanic radio and make the right decisions based on more informed data."

## Why not just go back to the old methodology?

Why doesn't Arbitron just switch back to its old methodology, until the three year software switch is accomplished? The "Summer plunge" book was likely due to Arbitron making a change over a year ago on the way it measures Hispanic language preference. That change dropped the level of Hispanics saying Spanish was their primary language by reportedly 10%-15% in some markets.

Responds Dr. Cohen: "We are not sure what happened. There is no way to be absolutely sure. The methodology was the same."

Broadcasters have asked us about switching back to the way it was, but that still doesn't solve language weighting. And now you'd have three questions that are not the same questions that Nielsen is asking, so that starts to rule out whether we can use the Nielsen data."

"Here we have a market that by all measures has explosive growth. Not only in the individual markets that have been historically identified as Hispanic, but also in new emerging second- and third-tier markets," stresses **Mike Castello**, VP/Hispanic Radio, MediaAmerica en Español. You can't take a step backwards like that. You can't get in the way of this kind of progress and this kind of momentum. Arbitron runs the risk of marginalizing itself. What will it take before somebody else comes?"

## Harming general market as well?

As word spreads about Arbitron's three-year assertion, some are wondering what effect Hispanic language preference weighting would have on general market ratings. ABC Radio Networks' SVP/Research Dr. Tom Evans' feels it's not just a Hispanic station issue, but one that impacts the whole marketplace. "I'm in favor of Spanish-language weighting if it's done properly, because it will more basically reflect accurate information to the marketplace," he explains. "[However], I'm uncomfortable that Arbitron is having one conversation with Hispanic stations and one conversation with the general market stations. You have to understand with weighting—they affect each other. Weighting is only an adjustment method."

Says Cohen: "It's an unknown at this point. One of the biggest issues is when you're going to have a weighting variable you have to have something to weight it to. Nielsen has in 18 DMAs where they have language estimates based off of enumerations they've done in those markets. Once we can use the data, then we can get a hint as to what the effect might be upon the [other] estimates."

Castello says it all boils down to how the universe is defined as well: "If you take from one part of the universe, of course, then that part of the universe has less. If you assume that a general market listener will only listen to a certain kind of station and a Spanish station listener is exclusive to that kind of station and you can demonstrate that there's no shared listening between the two, then that's OK—as long as you cut the pie correctly. But if you cut the pie incorrectly, and you're using a fairly small sample to begin with, then you can see what the problem is. If you take from one, it will affect the other. To suggest that because a Hispanic shows up as a listener to say an Oldies station or a Dance station or a News station, that they can't also listen to Spanish stations, is absurd. I don't think Arbitron has ever had a problem quite like this. You'd have to go back to Europe, I think, to find a listening population where you had the same kind of fluidity of language."

Before Arbitron makes the change to add Spanish language weighting, Evans says it should do a study for both Hispanic and non-Hispanic stations on what the impact on audience estimates will be. "Because each station is going to have to go out and prepare—talk to their advertisers and agencies and prepare them for this potential shift in audiences that will occur."

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**\* Source: Arbitron, Fall 2002**



## Rick Sirvaitis, President/COO, GM Mediaworks Dennis Donlin, President, GM Planworks

General Motors spends most of its \$4B annual worldwide ad budget in the US. Of that, the company spends \$29M in national spot radio and close to \$9M with network radio. GM recently upped its spending in spot buying and shifted control of local broadcast buying to GM Mediaworks, putting **Rick Sirvaitis** in charge. As well, **Dennis Donlin**, President of GM Planworks, handles the decisions day to day on planning strategy. Here, the two discuss how GM uses radio.



Rick Sirvaitis

**Tell us about GM Mediaworks. How and why was it formed?**

**Sirvaitis:** Mediaworks was formed back in 1994 as a dedicated buying unit. It began with broadcast and print and expanded into all other media formats. It was really founded on the premise that GM has the clout and the ability to bring its own leverage to the marketplace. So everything we do is very much on the QT.

The only area of all buying that is not exclusively GM is the local arena because we still use LCI for local buying. We recently put a management team in place, in Mediaworks, to really help coordinate all of the activities across other elements of Mediaworks. Most are LCI employees working on GM business. So we've got national cable, national broadcast and print, and really bring those facets together. We are focused on one client and we know that client inside and out.

**Tell us a little about the interaction between GM, planning, buying and creative.**

**Donlin:** We have a strong partnership with GM Mediaworks. We're the conduit to the agencies. But we are on the phone on a daily basis to Mediaworks, translating a lot of the work that's been happening with the agency. We're very much trying to create programs that are individually tailored to each of the divisions, based on some positioning and equities that each of our individual divisions bring to the party.

We have agencies across both the Publicis family—the main one there is called Chemistri—and then we have under the Interpublic Group (IPG), Campbell-Ewald, McCann, Lowe and Goodby. I am a Publicis company. I don't work for GM. And Mediaworks is an IPG company, but we're partnered in the media space.

**Tell us why you like radio, specifically how do you use it and what objectives does it serve GM?**

**Sirvaitis:** I've always said I was surprised when I got here that GM didn't do more radio. It really comes down to more of the creative issues than anything else and adapting how they work their creative various brand elements into the format. I know that they're used to a lot of creative testing and research to figure out how that might be helpful down the road, but you know, to me radio is a great format that reaches people quite often in their vehicles. I guess it's a strong message when you're trying to sell one.

**How do you use network radio?**

**Sirvaitis:** Most of the network radio stuff we've done has not been vehicle division driven. It's been On-Star, GM parts and other services.



Dennis Donlin

**How has planning changed with the war with Iraq?**

**Donlin:** Everything is up in the air. The only thing that GM has announced is we won't be running in actual war coverage. For us, it's not so much about that, but the bigger question is what this does to consumer confidence and showroom traffic. That's what we're monitoring a little more closely.

We won't adjust our mix based on what the editorial environment will be during the war. We'll actually just move away from whatever war coverage. And then, depending on what the mood of the nation is and the environment, we will make our strategy moving forward, as we did with "Keep America Rolling" after 9/11.

**What should radio be thinking about during these times when working with local GM outlet?**

**Sirvaitis:** Just keep building and pounding in the value of, in terms of the audience you're reaching, the upscale nature. GM generally has an upscale target on every single brand that they're focusing. Make sure you're selling through the environment, assuming it is the right environment.

**How do you assist corporate in working with the local dealerships for local, regional and national campaigns?**

**Donlin:** We work very closely with the dealer marketing groups for each of the divisions. And we stay focused at that level working with the actual GM regional funds and the dealer marketing group funds. And then the individual dealers build off of that.

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## Advice for liberals from the man who brought you Rush

He's the man who started it all. **Ed McLaughlin**, retired from a career with ABC Radio, was looking for a talk talent to syndicate more than 15 years ago—when he found a local host named **Rush Limbaugh**. So, who better to comment on the obstacles others are facing now as they seek to launch a liberal talk network to counter the phenomena that he launched?

McLaughlin spoke recently with *RBR* Executive Editor **Jack Messmer**.

### Was there any ideology involved when you launched Rush Limbaugh?

No there really wasn't. Rush was brought to me frankly by a friend of mine, a programming guy from ABC days. Simultaneous to that I was looking to buy stations in the Sacramento market, so I was fairly familiar with the market and there was a program on KFBK, nine to noon, that was getting pretty big numbers. I had no idea who it was. I was then told by my friend that this was Rush Limbaugh and that he wanted to go national, and would I be interested in syndicating him? I had never really heard of Rush, I certainly had not heard him. So, I flew out to Sacramento and listened to the program. I drove around the city even though I was not terribly familiar with Sacramento. I found myself driving around and being captivated by the program—which meant that whatever he was doing was holding my attention, even though I was driving in an area I was not familiar with. What I heard was a really good broadcaster who was just bringing a new point of view to a lot of listeners. What really happened in Sacramento, along with other cities when he was syndicated, was that he was saying what a lot of people believed, but he was the only voice out there articulating this belief. What was important to me, as far as the conservative or political agenda is concerned, is that he believed it and that he was honest about it. It turns out that he'd been a conservative all of his life. This is not something he thought up just to get ratings. This was the real Rush Limbaugh. But it was presented in a really entertaining and exciting manner.

### How do you think Rush would have done if he had been a passionate liberal?

I think he would have done great. So little of it has to do with ideology. There is no question when I listened to him in Sacramento, he was hitting a lot of people with a voice that they hadn't heard before and he was doing it very, very effectively. These people were really enthralled with the idea of a new voice, a voice that was in many ways reaffirming, or affirming what they already believed. The callers would call in and say, "That's what I think, but you just say it so much better, so much

clearer than I can." These weren't people that he changed ideologies. These were people who were looking for their voice, basically. But he did it in such a way that was fun and entertaining for me. And my politics are not his politics.

### So you're not a tool of the conservative movement?

I look at myself as who I am and my personal philosophies on politics really don't matter. People forget that I was a General Manager of KGO [San Francisco] from 1964 to 1972, 14 years as President of ABC Radio. I was running radio stations to put on good honest programming that would attract a very large audience. And that's what I was doing with Rush. I had Dr. **Dean Edell** at that time on air. Dean has said from time to time that he thought marijuana should be legalized in certain cases. So

basically I had another program that, if anyone tried to put a label on Dr. Edell, they would probably say he was liberal.

### Back when you were running KGO, I presume you had some fairly liberal programming on there.

As a matter of fact, I had nothing but liberal programming on the air at the time—to the point where the governor, Gov. **[Ronald] Reagan**, wouldn't go on the air and would not let his people talk to us in talk shows until we had a meeting and convinced him that we did other things. There is no question KGO at that time was thought to be a very liberal radio station. I finally found a conservative who I believed was a true conservative. And that was **Bob Dornan**. That was before Dornan went to Los Angeles and became a Congressman. And he's now back on the air.



Ed McLaughlin

### So, once you found Rush, I take it he wasn't an overnight success.

Well, nothing's ever an overnight success, of course not. The thing that helped launch the show is that I was able to get a flagship station, which I always considered an absolute must, in one of the top ten markets. At the time, the program director at WABC [New York] was **John Mainelli**. John and I had known each other prior to his joining WABC. I happened to note that there were going to be a couple of openings in his local program schedule. So, I proposed that we put Rush on WABC and have that become our flagship station.

### We have a lot of people out looking for a great liberal talent to put on. Do you think that's going to be easy?

Well, I have a little bit of difficulty with the idea of deciding that you want to do a political program and not a radio program. It's interesting to me to think that people would start with that premise that if I could just find a liberal and put him on the air... I've had some very great, and they are still there in some cases with KGO, liberal broadcasters who are just great radio broadcasters. **Jim Dunbar** and **Ronn Owens** come to mind and they are still doing extremely well out in San Francisco. It's not a question of just finding a liberal or a conservative or



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# PROGRAMMING FOR PROFIT

libertarian. The idea is to find somebody who's a really good radio broadcaster who may have that point of view.

## **Hollywood folks doing a radio show as a sideline—would that be a real handicap to them?**

Absolutely. As a matter of fact, most of the shows that haven't succeeded and are no longer around started with the premise that you could take a personality from another field and, just because that personality had a point of view that you were looking for, would be successful. Let me give you an example. Most of these people that have tried it or talked about it really have other professions. They are not radio broadcasters nor do they want to be radio broadcasters. One of the things that I required with the people who were on the air with me was that there was real preparation time. For example, with the two shows I had with EFM, both personalities had to put equal time in preparation as the amount of time on air. So, Rush was required by contract to come in three hours before airtime to prepare for his program. That made a six-hour day. And with Rush it was a lot more, because he'd go home at night and watch Nightline and the news and he thought about his program all the time. The same was true of Dr. Dean Edell.

## **Mario Cuomo—why did you end up not syndicating him?**

First of all, I didn't pursue the governor. I was asked to meet with him through an agent at William Morris. Governor **Cuomo** has been a good friend of the broadcasters. I was part of the New York State Broadcasters while he was governor, so I agreed to meet with him. It became clear to me, at the time, that the governor really didn't have the time for preparation, the time or commitment to the amount of time that it would take to do a great radio program.

## **He ended up doing a weekly show and it never got much traction.**

Right. I have seen Governor Cuomo on a couple of occasions. And he said to me on one of those occasions, "You know, you were absolutely right." Meaning that he didn't have the time. He's the type of person that when he takes on something, he wants to do it well. Radio was just a sidebar to him.

## **What would it take to make a show successful on a national level?**

One has to get a plan together. It's not just deciding, hey I'll get a radio show. There are perhaps close to 1,000 radio stations out there that are in the format, to some degree. You have to have a knowledge of the market place to understand what stations in the country would be looking for your program. You don't just throw it up on a satellite and say "Here I am!" You should really be willing to look at three-year plan and have a goal set. You know, I will reach X number of markets by X amount of time. Like I said earlier, without a major flagship it's very difficult.

## **A three-year plan. Is that about what it takes to get to cash flow positive?**

I would certainly say that it would be a minimum of that. It could be longer. I have both a three-year and a five-year plan when I start a business. I was very fortunate. Again, you have to understand

that I came out of the network business. So, I knew every single station. Well, not every single station, but most stations in the United States. I knew the managers. I knew the owners. A lot of them would return my calls. A lot of them said no, they weren't interested. They didn't want national programming. It was with a lot of reluctance that some stations took it, because Rush was very controversial in their minds. They were concerned about the commercial liability. There were just a lot of things. It's just that Rush turned out to be so damn good and attracted such an audience in such a quick period of time.

## **Would it make sense for stations to put a new liberal host on?**

One of the things you're finding is that radio listeners are much like TV viewers. They know what they want and if a subject comes on afterwards that they have no interest in, they will change the dial. In the case of radio, in the terms of programs like Rush or, let's just take a liberal—**Michael Jackson** was on the air in Los Angeles for many years. Michael Jackson is a liberal. It's not that they haven't been out there, it's just that they haven't been out there on a national basis. But my point is, that we found that if you took Rush's audience and put someone else on behind him that was either totally opposite or of no interest to them, they left. We had a lot of people that came to the station to listen to Rush. When Rush is over they left. Now if the station follows with another conservative, yeah the chances are that you could probably keep Rush's audience to a degree. And I think you're finding that with **[Sean] Hannity**. I think that program has carried Rush's lead into it on many stations.

## **Do you think there are enough stations out there that would be able to take a liberal talk net?**

I think the way to look at it is, are there enough stations out there to take a new program? Whether it be a liberal, another conservative, a female, it doesn't really matter. When you approach a station, you have to understand what that station is doing, what kind of program they are looking for, or would work with what they are doing. I don't think any radio stations around the United States are saying, "God please help me. Get me a liberal." At least I haven't heard that. I think a lot of people who disagree with the conservative point of view would like to have a liberal spokesperson or liberal personality that could be successful. As a matter of fact, so would I. I think the balance would be very good.

## **What are you doing these days?**

I've been out of the syndication business, but I've been active in the broadcasting business. I'm a trustee of The Museum of Television and Radio. But most of my time in the last few years has been taken up with the Broadcasters Foundation, which I have been chairman of for the last five years. This is my last year as chairman and I will remain on the board. That organization has been really something I've been pleased with doing and it makes me happy. It's been very rewarding to me because there are a lot of broadcasters out there that need help and the Broadcasters Foundation brings that help to them.



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## Powell for a day

We asked a number of broadcasting professionals to write a brief, 150-word essay telling in a nutshell what they would do as FCC Chairman for a day, and further, if they were a Chairman unfettered by minor annoyances like other commissioners, members of Congress, judges, the press, the White House, public opinion, etc. Here are some responses.



**Jim Quello,**  
*former FCC Chairman and Commissioner*

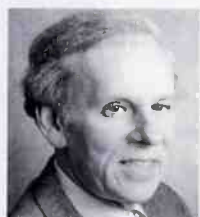
As Chairman or FCC Commissioner, I would have expressed initial concern about the seemingly undue radio consolidation of the past three years. However, faced with today's competitive realities of multi-media, radio satellite and Internet, further criticism would be unwarranted and counter-productive. In fact, consolidation was the salvation of numerous stations. In addition, many of the acquired radio stations were marginal financial operations or facing bankruptcy, thus necessitating drastically reduced expenditures for programming, news and community services in individual station operation.

Considering all factors, consolidations today continue to produce a financially stronger, more diverse radio industry.

But a redefinition of a marketplace may be in order. Briefly and perhaps over simplified, it would eliminate problems caused by multiple ownership in relatively small markets if the licenses were issued to the city of license and only larger markets and not include an entire area covered by a 50,000 watt AM station.

However, everyone must remember that current station acquisitions were acquired and approved legally and ethically under existing congressional rules and regulatory policies.

Thus, all current multiple stations must be grandfathered and transferable. Forced divestiture and restricted transfers would be legally challenged and, undoubtedly, defeated in court.



**Erwin Krasnow,**  
*Attorney, Shook, Hardy & Bacon*

(Mr. Krasnow wishes to stipulate that the views expressed here are his own and are not necessarily shared by his law firm.)

Free Free Speech and Dump the Dinosaurs. The mission of my one day reign in the Portals would be to emancipate broadcasters from second-class citizenship. "Let Freedom Ring" would be the byword on the 8th floor. Under a Krasnow FCC, broadcasters would be freed from a 1940s regulatory regime that caused one former chairman to describe that agency as "the last of the New Deal dinosaurs." My prescription for what ails the FCC: a free speech regimen and an end to bulky bureaucratic bloat. Second-guessing of programming judgments would be passe after my regime change. Ownership and concentration issues would be referred to the Antitrust Division. Questions of obscene or indecent speech would be handled by the courts. In sum, if I were chairman, a faster, sleeker and more focused FCC would go back to being the traffic cop of the airwaves, not the vice squad. It would be a consummation devoutly to be wished.



**Rich Wood,**  
*President, Rich Wood Multimedia*

It was the worst day of my life. I'm already blamed for destroying civilized radio. I'm now asked to do the same for television and newspapers. I've made my decision and I'm going to keep things as they are for the time being.

I spend a lot of time talking to ordinary people. They're angry and suspicious of large corporations. Enron and other companies have put stock value above their obligation to tell the truth.

Young people no longer rely on corporate media for their news. They feel it's either hiding something or trying to shove some political agenda down their throats. The timing is bad. I'm going to wait until confidence in our institutions returns.

To allow the control of news and information to fall into the hands of a few powerful companies, I believe, will further destroy the public's ability to make informed decisions or care.



**Arthur Belendiuk,**  
*Attorney, Smithwick & Belendiuk*

If I were FCC Chairman for a day I would reallocate the radio, television, cellular and MMDS spectrum into a new Internet Broadband Service. Individuals then could access any form of desired information, whether it be personal communications such

as telephone or video conferencing or news and entertainment.

By sharing the spectrum with multiple users high quality, on demand, digital audio and video programming would be available to all. This would eliminate the need for the FCC's multiple ownership and cross ownership rules. Competition would no longer be among those that hold finite pieces of the spectrum. Rather, competition would be in the unlimited realm of ideas. Content providers would compete to provide useful information and entertaining programming.

After my one day as Chairman, I would retire, write a book, and go to work for a company that provides news and entertainment programming especially designed for the newly formed Internet Broadband Service.



**Julian Breen,**  
*President, Breen Broadcasting*

Using the wisdom of "two's company, three's a crowd," I recommend the objective of a minimum of three ownerships controlling the radio, television and newspaper media in each market to provide for a minimum number of financially healthy unrelated "voices" in

competition. While the rules proposed below will result in many more "voices" competing in most cases, the worst case scenario is three.

### Market Definitions

**Radio Market Definition:** Arbitron Metro. If no Arbitron metro, the county containing the station's city of license plus all contiguous counties. If the latter results in illogical results as it would for stations with limited or highly directionalized coverage, prove it to the FCC and ask for a waiver.

**Television Market Definition:** Nielsen Designated Market Area. If no DMA, same as radio.

**Newspaper Market Definition:** Every county in which the newspaper offers home delivery.

For combinations, all counties included in any individual



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medium's market definition.

**Revenue Limits:** No entity shall control more than 33% of the advertising revenue generated in the media sector or combined sectors in which it chooses to compete.

## Brian Cobb

*Media Venture Partners*

Since I have only one day to accomplish so much, whatever I do will be more than I have done so far. Since I'm accountable to no one, I can issue some simple directives and be done by noon and go back to making no decisions, trying to stay under the radar and furthering my political aspirations.

**Directives:**

1. Television duopolies will be allowed in any market as long as the share of the combo does not exceed thirty five percent of the television market revenue.

2. Television triopolies will be allowed in any market as long as the share of television market revenue doesn't exceed thirty five percent and there are six separate ownership entities remaining.

3. Newspapers may own one television and up to two radio stations in the same market.

4. The ownership caps will be raised to forty-five percent, but duopolies count as part of the measurement.

5. Cable companies may not own television stations unless their market penetration is below forty percent. They can own stations in any market they do not have a franchise.

I'm not used to working this hard. The rest will have to wait until Commissioner Martin upsets me again.



## Christopher Miller

*President/CEO, Gammon Media Brokers*

Ok, I have accepted this opportunity to play Chairman Powell for the day. A day is pretty short so lets get this started.

1. Remove the eight voices rule for determining the ability to own more than one television station in a market.

2. If one company can own two television stations in a market then a newspaper should be able to own a television station or a television station should be able to own a newspaper. So remove the newspaper television cross ownership rule.

3. Increase to network national ownership cap to 45% from the current 35% cap.

4. All FCC upper management (including commissioners) will be required to work at a radio station or television station for one week once a year. Radio and television stations that would like to have a member of the FCC work at their station can submit their call letters to be included in a lottery that will randomly determine where each FCC member will be placed. The FCC member will shadow the general manager or owner during the week to get a complete education of what the real world of radio and television is all about.

Ok, that's my day. To bad it can't be that easy.

## Thom Moon

*former Managing Editor, RBR (now a private citizen)*

I still believe that the airwaves belong to the public and that stations must operate in the public interest, convenience and necessity. It's my opinion current ownership rules serve neither the interests of

the public nor of advertisers.

Therefore, the maximum stations one entity may own: 120 (roughly 1% of the national total).

Stations will file yearly revenue/expense data, as was required pre-1981.

No licensee may control more than 25% of radio revenue in a rated market. Non-rated market situations will be based on signals home to the county, but only in single-station counties may a licensee have more than 50% of revenue.

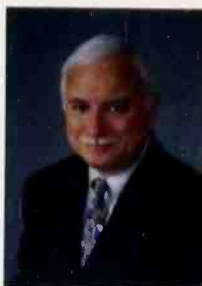
LMAs and JSAs count as ownership. No grandfathering—excess stations must be divested.

Stations retained must be held for a minimum of three years.

No LMA prior to transfer approval.

Stations that have lost money for three or more consecutive years will be considered for revocation at renewal time.

No new TV/radio or newspaper/radio cross-ownership.



## Mel Rainer

*ClicknPrint Tickets by Extremetix*

The debate regarding broadcast ownership comes down to whether public policy should provide for business efficiency or the best interests of the public. It could be argued that any formula is arbitrary; however, the situation is no different than when public policy defined and limited "monopolies."

In the end, we must come down on the side of the public's need to have the widest variety of information, especially as regards the use of finite public airwaves. Therefore, no organization shall own or operate more than 25% of the total licenses, no more than 25% of the AM or FM licenses, and no more than 1 TV station in any SMSA. No firm shall control more than 1 daily newspaper, TV, AM and FM license in a market, and can not have this combination in more than 3 of the largest SMSA's, nor more than 25% of the 150 largest SMSA's.



## George Reed

*Media Services Group*

My first action: TV duopoly rules are history. Many small and medium market TV operators are losing money with no end in sight. They can now combine, regardless of market size. Watch the level of public service, including news and other locally oriented programming, increase

now that stations no longer have to worry about mere survival.

My second action: If a proposed radio station transaction complies with Telecom 1996, it is hereby granted. Further, the Commission is hereby directed to get out of the anti-trust business.

And while we're on that subject, the notion that the radio advertising market is a discreet market unto itself is ridiculous. A cluster's 80% radio revenue share is no big deal when the local paper is pocketing two times the market's entire combined radio revenue.

My Final Action: Newspaper/Broadcast Cross-Ownership restrictions are trashed. A recent study found that stations when combined with newspapers "tended to produce higher quality newscasts." There are some 40 such combinations in place already. Have there been any problems? The public interest, convenience and necessity are actually enhanced, not harmed, by these combinations.

If there is any question about my stand on the current regs, let me be very clear: scrap 'em all!



# Finally A Liberal ON RADIO He's From **FOX News.**



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-Roger Ailes, Chairman FOX News

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-Sean Hannity, Anchor  
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## On-air digital systems:

### Mature market or new growth opportunity?

Every station has a transmitter, but new technologies such as HD Radio, electric power savings and aging of existing facilities will generate purchases and upgrades. The same holds true for digital on-air systems. Increased talent familiarity and acceptance of voice tracking, HD Radio and aging equipment will generate new purchases indefinitely. Most stations have a system, but many are being asked to do things that they weren't designed to do back when purchased. Plus, many vendors that were in this market back in the mid-90s are gone now, making support an issue. So in reality, this is a mature market with new growth opportunity. Here, we discuss that topic, the latest technologies to be shown at NAB2003 as well as one very important topic that many may be overlooking: HD Radio's compatibility with existing digital on-air systems.

### Are your systems HD Radio-ready?

Before you go HD Radio, you'd better check your automation system first. The issue: HD Radio systems' audio is coded with a proprietary codec licensed by Lucent—PAC (Perceptual Audio Coding). The industry's most common storage media are MPEG or linear, with the difference being the size of the file. A linear file has no compression and is larger. The conversion from MPEG storage to PAC compression may result in poor quality. Before incorporating an HD Radio transmission system, it's recommended by most to go linear instead of MPEG for audio file storage.

"Decompressing and recompressing in cascade is bad enough," explains RCS President **Philippe Generali**. "But when you use two different algorithms—MPEG decompression out; in the transmitter compression PAC; and decompression in the receiver, that would be two compression/decompressions in two different algorithms. That, when used in cascade, results in poor sound quality. With RCS's Master Control system, you can go linear and have been able to go linear for several years now."

Cascade? Every encoder works a little differently. The encoder the industry uses today takes a digitized analog signal and removes different bits of data to compress the file. MPEG1 will throw out different bits than will PAC, than will MP3, than will Windows Media. Some will throw away 75% of the audio bits, vs. what a pristine linear file holds. The developers assume different things on what the human ear can hear and use different schemes for eliminating bits of the audio stream and still retain fidelity. When you "cascade" the different algorithms from one to the other, the end result audio can contain wind-chime like "swooshes" on the high end and a tank engine rumble on the lows.



*Philippe Generali*

Across the industry, is this going to be a problem for stations converting to HD Radio, having to upgrade their hard drive space to hold all linear, non-compressed files? "You bet," Generali cautions. "Most of the industry is MPEG. That's what most of the automation systems use. MPEG to PAC sounds bad. So the industry might have a question mark here that needs to be resolved."

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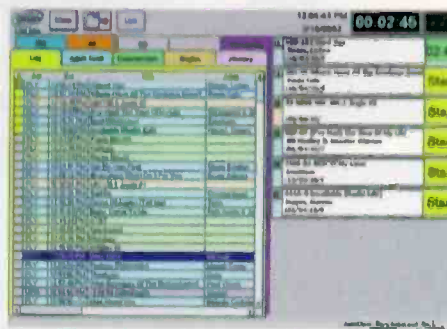
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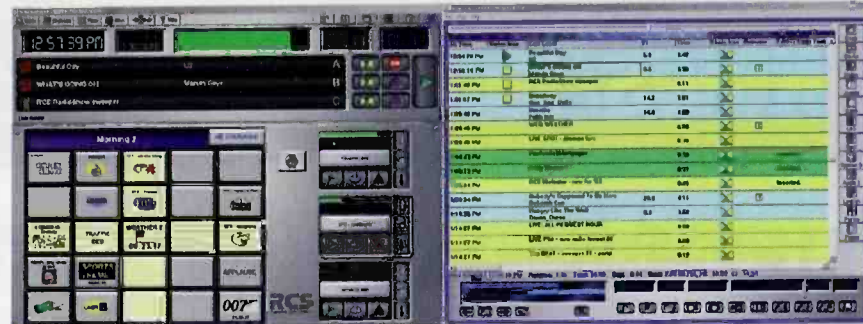
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## On-air digital systems:

### Mature market or new growth opportunity?

Every station has a transmitter, but new technologies such as HD Radio, electric power savings and aging of existing facilities will generate purchases and upgrades. The same holds true for digital on-air systems. Increased talent familiarity and acceptance of voice tracking, HD Radio and aging equipment will generate new purchases indefinitely. Most stations have a system, but many are being asked to do things that they weren't designed to do back when purchased. Plus, many vendors that were in this market back in the mid-90s are gone now, making support an issue. So in reality, this is a mature market with new growth opportunity. Here, we discuss that topic, the latest technologies to be shown at NAB2003 as well as one very important topic that many may be overlooking: HD Radio's compatibility with existing digital on-air systems.

### Are your systems HD Radio-ready?

Before you go HD Radio, you'd better check your automation system first. The issue: HD Radio systems' audio is coded with a proprietary codec licensed by Lucent—PAC (Perceptual Audio Coding). The industry's most common storage media are MPEG or linear, with the difference being the size of the file. A linear file has no compression and is larger. The conversion from MPEG storage to PAC compression may result in poor quality. Before incorporating an HD Radio transmission system, it's recommended by most to go linear instead of MPEG for audio file storage.

"Decompressing and recompressing in cascade is bad enough," explains RCS President **Philippe Generali**. "But when you use two different algorithms—MPEG decompression out; in the transmitter compression PAC; and decompression in the receiver, that would be two compression/decompressions in two different algorithms. That, when used in cascade, results in poor sound quality. With RCS's Master Control system, you can go linear and have been able to go linear for several years now."

Cascade? Every encoder works a little differently. The encoder the industry uses today takes a digitized analog signal and removes different bits of data to compress the file. MPEG1 will throw out different bits than will PAC, than will MP3, than will Windows Media. Some will throw away 75% of the audio bits, vs. what a pristine linear file holds. The developers assume different things on what the human ear can hear and use different schemes for eliminating bits of the audio stream and still retain fidelity. When you "cascade" the different algorithms from one to the other, the end result audio can contain wind-chime like "swooshes" on the high end and a tank engine rumble on the lows.



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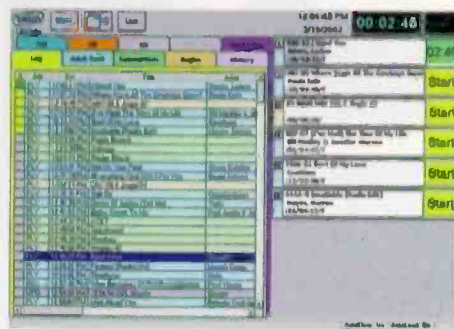
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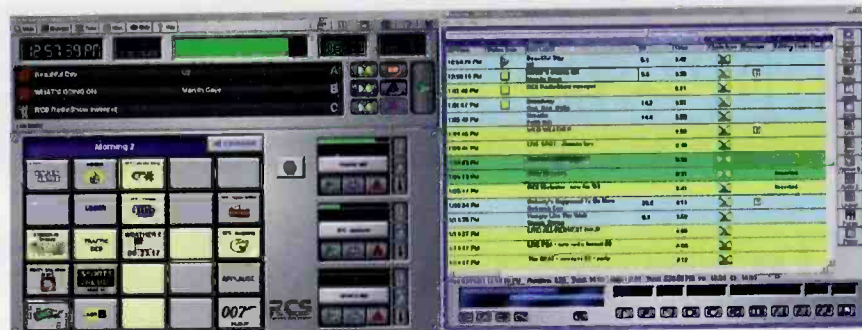
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## The News on News

### Fox vs. WW1—The war before the war

Fox News decided to get out on their own while Westwood One – Fox News' prior syndicator – created a new competing service in NBC News Radio just before the deal with Westwood One expired 3/31/03. The battle for Fox News affiliates took place in the days before the battle in Iraq broke out. We hear Westwood was conservative on inventory demands in its negotiations. As of late March, Westwood had signed 180 affiliates for NBC News Radio, including group deals with Saga Communications' FM music stations and Cumulus Media. Fox affiliates and station counts are not being shared.

Westwood One's NBC News Radio will be comprised of one-minute reports fed hourly each weekday from 6 a.m. to 10 p.m. EST. It will also offer one-minute special reports during breaking news events and affiliates will have the opportunity to simulcast breaking news from NBC and MSNBC. Custom reports for major market stations will be offered as well. In addition to the news updates, NBC News Radio will include sports, features and entertainment feeds.

**RBR Observation:** This war is far from over—the battle has just begun.

### As war breaks out, radio kicks in

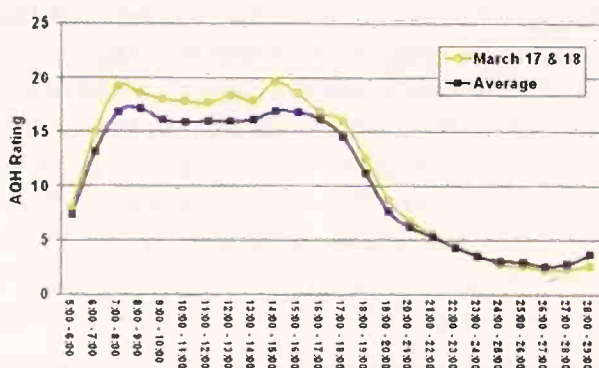
The Arbitron PPM Philadelphia test is being conducted with 49 radio stations, 11 TV stations and 26 cable networks. For radio, diary

and PPM AQH levels are fairly close. But what makes PPM significant is the hour-by-hour data it can supply. The "PPM Dailies" Arbitron has placed on its website shows the visible spikes measured when a significant radio event occurs. Arbitron, for example, says the AQH rating for a weather station in Philadelphia increased 350%, to a 0.9 from a 0.2 rating in Adults 25-54, when a snowstorm was forecast.

PPM, which electronically picks up inaudible tones embedded in broadcast signals, is finding that radio stations are experiencing spikes in listening (detectable in 15-minute increments) when major news breaks as well. To get a sense of it, Arbitron supplied some recent sample slides of the PPM usage in its Philadelphia test. People who wanted to hear hour-by-hour wartime announcements were tuning to Philadelphia News/Talk station KYW-AM on 3/20. (See KYW chart.)

When the possibility of war announcements was imminent, people tuned to Philadelphia radio in general throughout the day 3/17. Whether at home, on the road, at work, shopping or anywhere else, the PPM ratings show substantially higher radio listening in every quarter-hour from 5AM to 10PM, especially during the workday. Between 9AM and 4PM, radio listening increased by 24%. Radio showed no spike for President Bush's speech, but the PPM shows that people tune to radio continuously for general news in unsettled times. (see Philadelphia chart.)

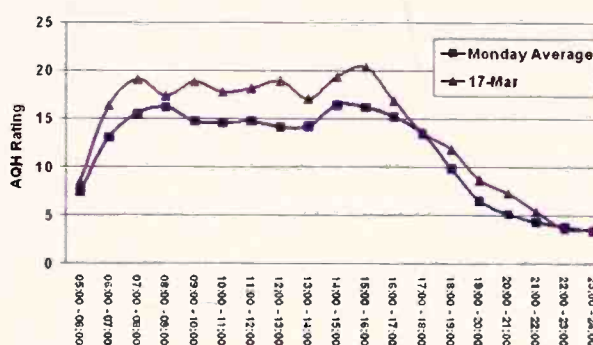
Radio Average vs. March 17 and 18  
Persons 12+ Philadelphia PPM Metro



Persons 12+ Metro average consists of prior four Mon-Tues

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Philadelphia Turned to Radio to Get the Latest Information



Persons 12+ radio Metro, average consists of prior 4 Mondays

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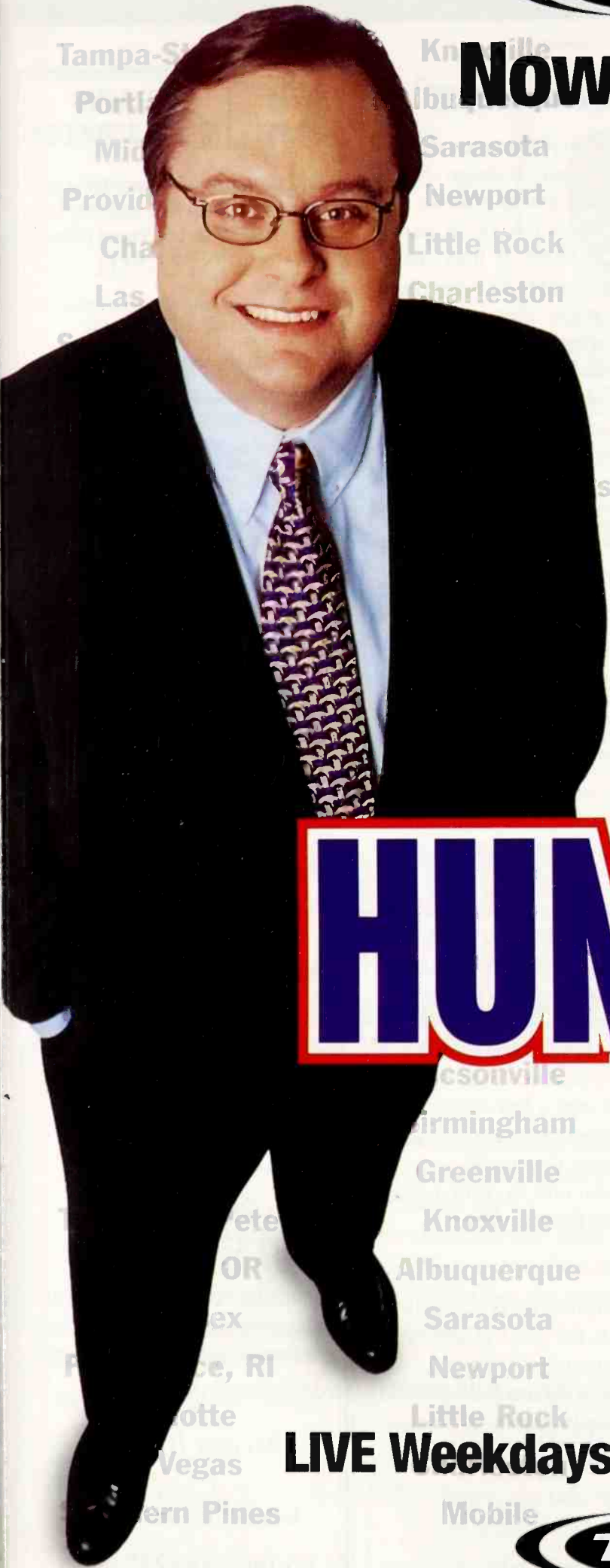
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When working with your client to calculate ROI clearly it's in your interest to keep your client's "magic number" (the number of customers your campaign should generate in order for the client to achieve break-even) as low as possible.

Just taking a client through the ROI calculation itself pays off handsomely. You go from the client's random PERCEPTION of how many customers a campaign on your station should generate...to something much more in step with reality. That is, how many customers your campaign needs to generate based on the client's average sale and gross profit margin, expressed as a percentage of your station's CUME audience.

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This strategy works on clients with both big and small average sale figures. That is, both coffee houses and automotive dealers. Here's the question you ask the client.

Mr. Client, what is the value of one new customer that our station might bring to your business? How often will you get repeat business from an average customer? And does your average good customer recommend your business to his friends, family and co-workers?

### Creatures of Habit

People are creatures of habit. If you get used to going to a particular restaurant, you're liable to visit that restaurant perhaps once a week or at least once a quarter. And if somebody asked you where you wanted to go eat wouldn't you recommend your favorite place?

If you love the coffee house around the corner from where you work or live, you might visit them every single morning. What's the average sale at a coffee house? At least \$5, if you buy something to eat as well as order a cup of coffee. If you visited every working day, the average sale is \$25 dollars instead of just \$5. What's one new loyal customer worth to the owner of a coffee house over the course of a year? \$300! And that doesn't include referrals the customer might make to other people.

The Value of One New Customer could be HUGE

Let's say that a dentist for example, operates on a 40-percent gross profit margin. His average sale for just a check-up and teeth cleaning could be more than \$100 per visit. Most people go to the dentist at least twice per year. And what happens if you crack a tooth...or need a filling...or (God forbid) need a root canal or some other procedure? What happens to the value of one new customer at that point?

How long have you been going to the same dentist? One year? Two years? Longer? How often do you visit your dentist? Twice or three times per year? Do others from your family use the same dentist? If someone moved into town and asked you to recommend a dentist, would you recommend yours? The value of one new customer to your dentist could be thousands of dollars over a few short years. How big is your total weekly audience? Doesn't it seem logical that with a good spot and a logical schedule, that a percentage of your audience might be looking for a new dentist this week?

The value of one new customer to your client could be very significant. Your rate, in comparison, might look very insignificant based on what your station could ultimately do for that client.

### Educate EVERY Local Direct Client

An uneducated client probably has no logical basis for the amount of money he is spending. Uneducated broadcast salespeople usually don't have any logical basis for the budget they are asking for. In fact, most broadcast salespeople just pull a number out of thin air!

Always explain Return on Investment (ROI) and impress upon the client the value of ONE NEW CUSTOMER. It's very difficult to argue with this kind of logic AND we're doing several things in the process:

1. Eliminating rate resistance
  2. Eliminating the need for "Added Value"
  3. Getting the budget whether you're number one or number twenty
  4. Managing the client's expectations about results on your station
  5. Creating the potential for doubling or tripling the amount of money your client is spending with you
- What's wrong with that? It's logical. So, do it.

Paul Weyland is president of Paul Weyland Training Seminars.

He can be reached at (512) 236-1222 or [www.paulweyland.com](http://www.paulweyland.com)



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## What's left out there to buy?

We've heard the complaint repeatedly from people who want to buy radio stations: "There's nothing for sale!" So, we asked a few brokers for their perspective on what station inventory is available for buyers these days.

"The deals are pretty few and far between," said **Elliot Evers** of Media Venture Partners. He observed that bidding interest is intense when desirable properties come on the market—noting the 22-times cash flow multiple that Emmis paid in Austin, TX and the 14+ multiple for **Frank Osborn's** purchase of the Root group, which is in much smaller markets. "Inventory is thin, prices are high and I'd say that people who are intent upon expanding their presence on the radio side are going into smaller markets, because that's all that left," he said.

"There is stuff out there, you just have to dig a bit," Evers said. While there are a few long-time owners putting their properties up for sale because of lifestyle changes or their financial backer's wish to cash out, but mostly brokers

are having to knock on doors to entice people to part with stations. "If someone didn't sell in the 1992 to 1996 timeframe, they must have had a damn good reason not to sell," Evers told *RBR*.

Times have changed, so buyers have to adapt. "Back in the late 80s and early 90s, there was always a shelf full of inventory," noted **Glenn Serafin** of Serafin Bros. "Really the whole procedure has changed. It's like buying a car, in that you have to know what make and model you want before you buy. I still chuckle when I get calls from people who say, 'What have you got for sale?' That's not the way things are being purchased and sold now. People have very specific ideas about what they want to do and where they want to do it—and do they want to buy a stick, do they want to buy a cluster, do they want to buy a station that's niche-programmed?" So, rather than picking from the shelf, would be buyers often have to have brokers go out and look for the type of station they want to buy in a market that fits their profile.

"They're going to have to pay an incredible multiple for a good cluster—14 or 15 times cash flow on good group of FMs in a market, say, 70-100," said **John Pierce** of John Pierce & Co., adding that the multiple would go still higher in larger markets.

As far as opportunities for buying, Pierce noted that some of the large groups are having to divest stations from multiple station buys to meet local ownership limits, but he also said those groups are likely to be careful about who they spin them off to—not wanting to fuel a competitor going after one of their target demos.

"We're probably inventory-challenged at this point, but we do have inventory," said **George Reed** of Media Services Group. "We have stations for sale and plenty of people looking at them. We'd like to have more inventory and I think that once the war outcome is known there will be some more inventory."

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