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Radio

AdBiz™

From the Publishers of Radio Business Report Inc., 16 Years
Volume 3, Issue 9 September 1999

Scatter's gain is everybody's gain— especially the networks

by Karen Maxcy



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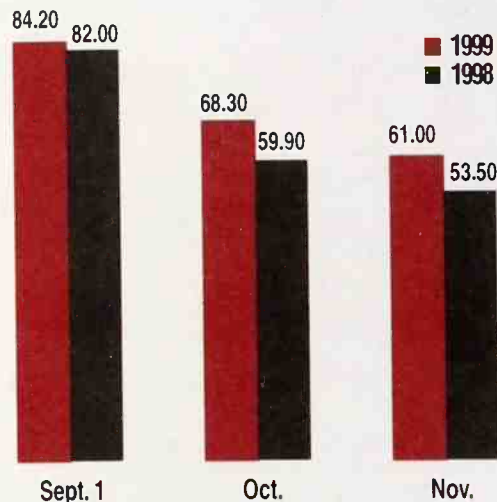
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RBR/MillerKaplan Market Sell Out percentage report

Fall heating up

Demand is already strong for November, with 61% of inventory sold. "It's not as much of a jump as it appears," notes Miller, Kaplan, Arase & Co.'s **George Nadel Rivin**, since November 1999 is a four-week month, compared to five last year. But the reverse is true for October and this year's five-week month is pacing well ahead of last year's four-week month.—JM



Radio

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September 1999, Volume 3, Issue 9

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 Subscription: \$105 per year

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On all accounts, this year appears to be shaping up to be the best upfront season for the radio networks. Not only has it started earlier this year, but the intensity of the season is unprecedented.

Matt Feinberg, VP/Manager, Radio National Broadcast for Zenith Media Services, says that in previous years there never really was an official start to the upfront season the way TV had. Upfronts occurred whenever an advertiser had a huge budget for 52 weeks. But bigger advertisers such as Sears or JC Penney may have done it in the Fall after they were done with their TV budgets. "I always felt that radio pretended that there was an upfront. But it was never as all-encompassing as TV, until this year," he says.

Not anymore. At AMFM Radio Networks, the strong scatter marketplace prompted a very early call to advertisers in July to jump in the upfronts as soon as possible. President of AMFM, **David Kantor**, tells *AdBiz* that the traditional upfront season was 11/1 through 12/31. But the network anticipated a much stronger demand this year for inventory and wanted old faithfuls to be in on the game before they accepted new advertisers. To date, AMFM has already sold 33% of the inventory available for upfronts. They are planning to sell 50% of inventory this season.

Scatter matters

Kantor explains, "This year in the scatter marketplace, pricing went through the roof. Not only did pricing go through the roof, but secondarily, there is just no inventory. For instance, we're essentially already sold out in October. And it's August now. What that means is that there is an advertiser out there who wants to be on and can't be on till the end of the year. So everyone is planning ahead so they don't get boxed out."

In fact, there are some, like The Media Edge's **Natalie Swed Stone**, VP/Manager Network Radio, who believes that the upfront marketplace is merely hitching on to the success and momentum created in the scatter marketplace. "In my opinion, the upfront marketplace is not any stronger this year than it has been in past years. The story continues to be scatter. The networks have said this is the case. What's going on is that advertisers are placing upfront business sooner because they are aware of the scatter marketplace. This is really a result of what's happening in scatter."

But Swed Stone also believes that the upfront season didn't happen too early this year. In fact, the upfronts have occurred too late in the

past. "It's a correction of where it should be," she states.

Jim Higgins, Senior VP, Sales & Partner, United Stations Radio Networks agrees with Swed Stone that the scatter marketplace has really jumpstarted the upfront season. He exclaims, "Twenty years I've been doing this and I've never seen the network radio marketplace hotter than it is right now. That doesn't look like it's going to let up through the fourth quarter." He predicts that the momentum will continue well into the year 2000. These reasons have prompted people to "get their pencils sharpened, to get their clients to respond, to get them to release specs, to get to brand managers to allocate dollars sooner than they've done before."

Beyond the scatter factor

Even though the scatter marketplace has created a rush for inventory, other factors are causing a very healthy upfront season. MediaAmerica Inc.'s **Michelle Jennings**, VP/GSM, tells *AdBiz* that buying upfront is a way the buying community hedges against anticipated shortages, and hence, higher rates the following year. "By and large, people that bought in the upfront for 1999 were able to procure better schedules and lower cost per point; a significantly lower cost per point in some cases than people who bought in the scatter marketplace."

Swed Stone agrees that buying upfront gives you a better chance of getting quality



David Kantor

continued on AB 4



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inventory. The scatter market may be strong this year, but the networks are not going to be as sure about next year's Q4 as they are with this year's Q4. Swed Stone elaborates, "Then the trick is to buy upfront, buy early. More choices, more people out there, more people willing to make a deal."

The dot-coms' coming of age

"They're just spending like crazy," gushes Feinberg. "The dot-com companies have changed the face of radio because they have so much money to spend." **Mitchell Scholar**, Director of National Radio, Horizon Media Inc., concurs that the dot-coms have a lot to do with putting pressure on inventory. "The thing about the dot-coms is that they're coming in to the marketplace with a lot of capital. And they need to get on as quickly as possible because they want to get their message out to the public. Network radio or radio in general is a very quick way of getting their message out there."

Higgins has also witnessed this phenomenon at United Stations. "You can't see a day go by when there's not four, five or six dot-com companies that are going to agencies for developing creative, planning and executing their marketing and media schedules." He notes that the dot-com companies are aware of the great crossover between radio users and computer users. They are anxious to use radio because it drives traffic to their websites and they can feel the impact immediately.

Bullish economy; bullish on radio

"Everybody's buoyed by the stock market," says **Jay Williams**, President, American Urban Radio Networks. "And clients are looking at good times, and therefore, they want to be aggressive in the coming Olympics year. The presidential campaigns that will take place next year also will certainly have an impact on inventory."

Everybody's more willing and able to spend in good times, but the growth and evolution of network radio is also fueling the buying frenzy. **Kraig Kitchin**, President/COO, Premiere Radio Networks, attributes the strong season to the increasing value of the medium. He tells *AdBiz*, "Eight new networks in RADAR in the last 12 months alone, in addition to improvements amongst



Kraig Kitchin



Mitchell Scholar

existing RADAR networks is one reason. Stronger clearances as a result of more company-owned network entities that can rely on good clearances from their sister radio stations under the same corporate umbrella is another." He adds that the people who evaluate the effectiveness of network radio "see better results and return with larger budgets."

In addition, Kitchin says that further fragmentation in other media makes radio appear fairly stable. MediaAmerica's Jennings agrees with his point that network radio "is being recognized as not having the kind of audience erosion that network TV has had."

Who's buying?

Both new and old advertisers are in the upfront scene. AURN's Williams says that there is a broadening of client base this year and are glad to see both "the depth and broad range of clients that have come on board."

At AMFM, increases are seen in all the traditional advertisers such as retail and tune-in advertising. Kantor says, "We've seen a lot of traditional advertisers whose budgets have been relatively flat the last few years are going up as well as several new upfront advertisers coming in. Not only will we see tune-in and retail category sell out—which sold out last year for us, but we expect consumer products and dot-coms to probably sell out for us too."

Scholar also notes that there are traditional advertisers who have come back to radio. "Every few years, a group of advertisers who have gone away from the medium rediscovers it. And it just seems that a whole bunch of major packaged goods advertisers have rediscovered it all at once. Companies such as Procter & Gamble, Nabisco, GE, General Motors, the list goes on and on." Scholar adds that tune-in advertising and insurance have been growth sectors for Horizon Media this year.

Rates—through the roof?

"I am going to say that 2000 is still highly negotiable," declares Swed Stone. Contemporary Scholar adds, "Everything in life is nego-

tiable." But Scholar does concede that this will be a tougher year to negotiate as a buyer. "It's not a slam dunk. This year the upfronts were tough negotiations but I quickly led my sales people to a win-win situation," he recounts. "I firmly believe that that's the best way to negotiate. Each party should be able to walk away with something."

The networks are in consensus that this year's upfront rates will on average see an increase of between 10 to 15%. But Higgins believes that even though there has never been a stronger rate structure than now, "sellers are getting better value for inventory that's probably been priced too low or undervalued." Even though pricing has been higher in recent years, Higgins says that network radio is still a great buy compared to other media's pricing and cost per point.

Despite the hot pricing right now, Higgins is not releasing any more than 40 to 50% of the inventory available for the upfronts. He expects pricing to be strong next year and wants to reserve some inventory for advertisers who support the medium but who may not be able to buy in an upfront situation.

What's hot?

The 25-54 demo remains strong but there is a shift to the youth market. Kantor says that 18-34 is looking stronger than it has in recent years. MediaAmerica's Jennings also sees a shift away from the 25-54 demo. "We're seeing as baby boomers get older, we're seeing a move away from 25-54 because there are more requests for 18-49." Jennings sees a shift to 35-64 and 18-49 as the bulk of the population moves out of the 25-54 demo.



Natalie Swed Stone

How gambling can win you more than money: JL Media's Rich Russo reveals all



by Karen Maxcy

Very few people can credit their success to a lucky streak at a crap table. But **Rich Russo**, a very singular Director of Broadcast Services at JL Media can. Russo was losing some money at a "very cold" dice table at a casino in Puerto Rico. But his luck was about to change. He got the dice and ended up rolling for a long time and winning a lot of money. Across the table was a guy winning "tons and tons" of money from his rolls. He recognized the man with the winner as someone from JL Media. Just before the trip, Russo had met the man at JL Media to set up a job interview with **Jerry Levy**. He wondered if the big winner was Jerry Levy and wanted to say hello. As luck would have it, it was Jerry Levy himself. Russo introduced himself. Levy looked at his chips and looked at Russo and said, "You're hired!"

Six years later, Russo is still buying spot radio for clients such as Old Navy, American Movie Classics, About.com, NY Lugz, Great Foods, Lending Tree, WGN and a few Fox O&Os. Luck can only get you so far; Russo shares with *AdBiz* his perspectives on buying radio and what it takes to do it well.

What developments have most changed the landscape of radio buying in the last few years?

Obviously consolidation has changed the landscape in terms of the AMFMs and the Infinity/CBSs of the world having clusters or owning segments of demographics. In LA, CBS pretty much owns all the men. They own most of the men in New York as well. The whole consolidation factor helps the groups more than the buyers. Most buyers shouldn't be intimidated by consolidation but should get upset that the groups share the rates with each other and then use it against the buyers. The stations should worry about themselves and not how the rest of the group is fairing on the buy. Also there's so many layers of management now—director of this or manager of that. Who has the final say in cutting a deal?

I guess consolidation helps the weaker stations. It doesn't help the stronger stations. The stronger stations might get hurt a little bit by it because now they have to get absorbed into these other stations. Some people view it as a threat, but I think it's all right. I think the worst thing about consolidation has nothing to do with the sales in the buying side. The worst thing about consolidation has to do with the programming side. Consolidation has hurt radio for the listeners, not the buyers. There's very limited radio to listen to these days.

How has consolidation changed the way you do your job? Does it make it easier for you?

Honestly, it's the same. I buy on a station by station basis. We don't do big cluster deals. Each station is its own entity; I don't care who owns them. I know a lot of people who probably buy the whole group or the whole cluster just to make their lives easier. But if you buy each station on its own merit regardless of who's owning it and you negotiate the best deal, that's the way to go.

What other developments are impacting your job?

The fact that the economy is so good. Radio has been selling out at a quicker pace than normal. So the timing of when you place your buys is more important now than it's ever been. Especially in some of the West Coast markets, it's changing almost daily because of the influx of dot-coms and end of century advertising. The more stuff you do in advance the better off you're going to be.

Right now, for the last two weeks, my job has basically been clearing stuff. It's almost not negotiating; it's clearing rates and clearing schedules.

What aspects of your job do you enjoy the most?

The part I enjoy the most is when you see results. It's great when clients see growth in their sales in the week they're on. It's almost like you're grading yourself. Then the client comes back the following year or the following quarter and they believe in radio and they believe in the whole advertising plan. That's enjoyable because you know the job that you're doing is accomplished. I like a lot of the people; it's a good, interesting bunch of characters in this business.

What do you find most challenging about buying spot radio?

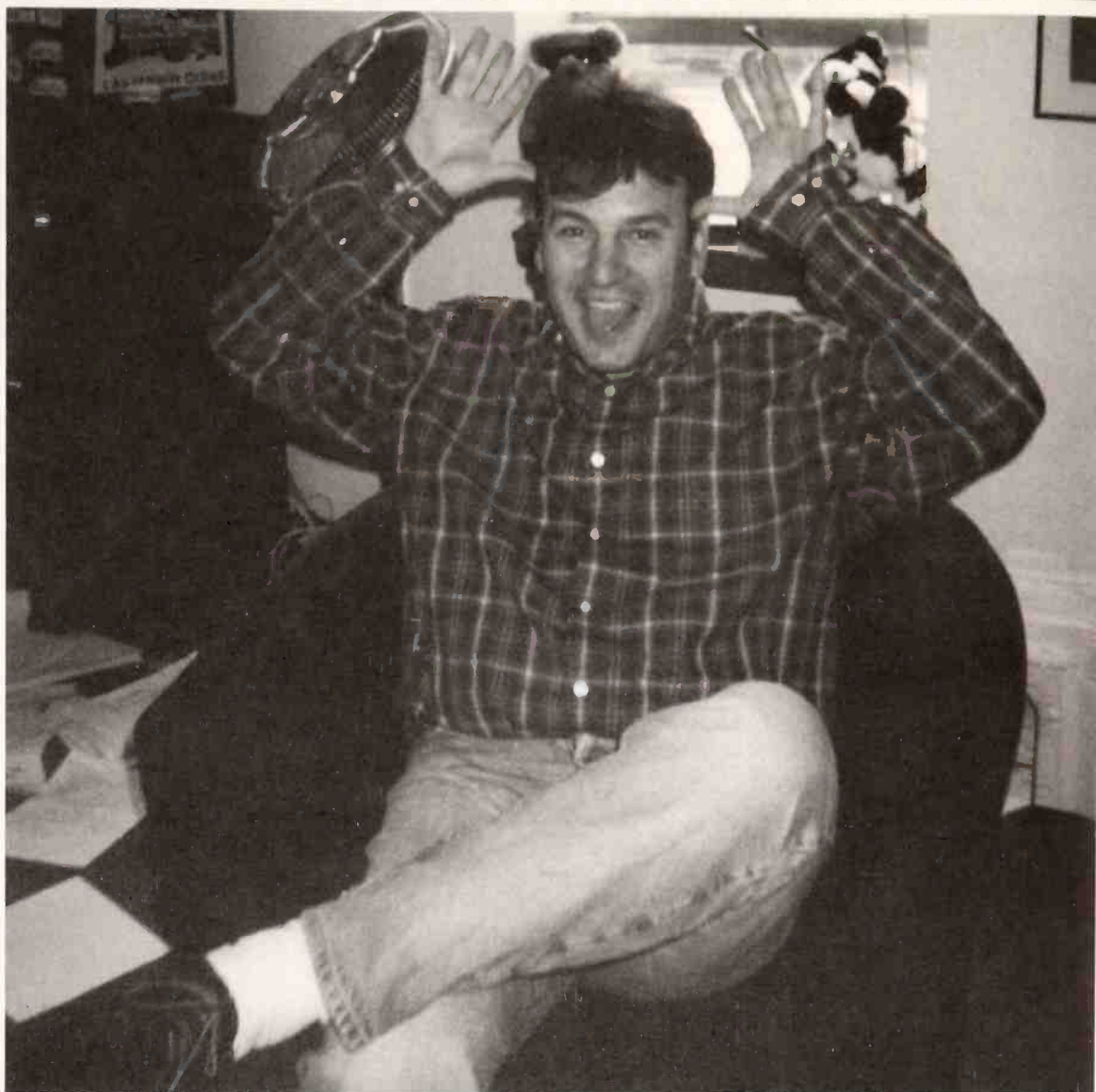
I think a lot of the managers are very shortsighted. Right now with the dot-com explosion, they're basically shutting out clients who have been good to radio. They've been on radio for years and find themselves, as they doing their Q4 plans now, being freeze out or paying higher rates because of the influx of the dot-coms. So you're taking short term business and you're not taking care of your old clients who have been driving your business all these years. I guess it's tough to see past what's in front of them when the money is coming in for all these people. I think it's short sighted to take the money and run at this point. In the end, it all comes around. At some point, radio is going to go back to where it was a medium you could get on at the last minute.

Do you think radio will continue to grow?

That's an interesting question. It should but it seems that the variable on this is the dot-coms. How much of that is going to continue to be a force. On paper, I would imagine we have at least another year of this before we see a slow down. I think it's going to at some point taper off. If satellite radio ever gets up and running, and if it's done correctly, that could put a little hit on radio as well. Once that comes out, people could tune in to commercial-free or limited-commercial radio. They could tune in to the same radio station across the country. Programming in radio needs to step up a little at some point.

So is programming the true loser amidst these changes?

I think there is so much money at stake now and so much Wall Street behind these companies. People are so leveraged out that they have to play it safe. There's no aggressive



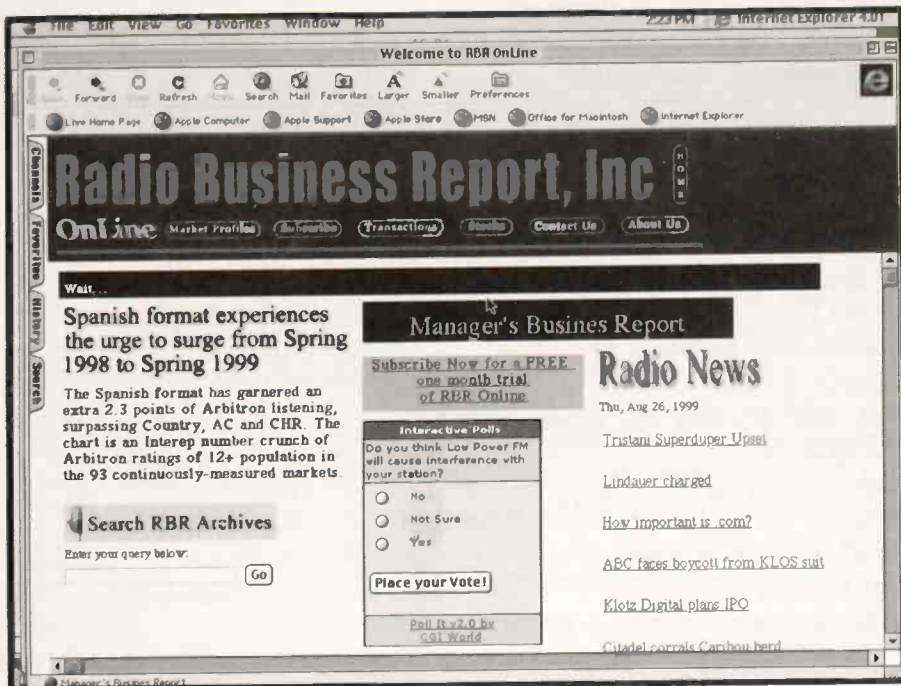
Rich Russo: "I never dress up for anything; I'm always in jeans and DocMartens. It's part of my routine." Don't let his "casual approach to things" fool you.

programming anymore. It's almost programming for the masses. There are a few exceptions. Stations are cookie cutter and there's nobody taking chances. I live in the New York area and we're going to lose a rock station in a week or two. And there's going to be nothing to replace it. The legendary rock & roll station WNEW is switching formats to All-Talk. There's going to be a big void for a 28-38 year old person who listens to Rock & Roll in this market. So that's what upsets me the most. I feel that the programming has suffered a little because of the money. I guess that's partially my side of the business' fault as well. I don't do this, but many people are buying on ratings. So the pressure on these stations is to perform higher and to get higher revenue. I guess it's a full circle thing where we're at fault as well.

What is your philosophy?

Our philosophy is to buy the right stations. To buy the stations that make sense. We're obviously cost driven on what we want to do in terms of pricing. We're very aggressive in the rates we go after and the things we do with the stations. But we're not ranker buyers.

That's when you pull up a ranker and you just buy the top two stations. We buy the stations that make sense, or we try to—that's obviously our goal. We never give out our cost per points. We never give out our demographics. We don't want people influenced based on that information because that's going to affect the way they submit their stations or submit their rates. If they know that you're buying on teens, then the teens stations are going to charge you a little bit more. I have a big problem with what's called demo-pricing. I think the rate is the rate. If I got someone running at \$100 a spot, and another client, because they have a different demo is running the same week at \$300 a spot, that's ridiculous. Nobody charges you for milk at a supermarket based on need. If I'm more apt to buy milk or if I really need milk for my survival, the supermarket is not going to say "well, geez, it's \$6 for you but this guy really doesn't like it but he's going to give it a shot, he pays \$2." That's crazy. So we like to get to a point where we set up a rate structure with a station as opposed to getting into the whole cost per point deal.



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Viacom and CBS in mega-merger to create media monster

In the biggest media company merger of all time, Viacom (N:VIA) announced 9/7 that it has a deal to acquire CBS (N:CBS) for \$34.45B in Viacom's non-voting Class B stock (N:VIA.B), creating a media giant worth more than \$80B. Viacom's **Sumner Redstone** will be Chairman and CEO of the combined company—which will be called Viacom Inc.—and CBS honcho **Mel Karmazin** will become President and COO.

The merger was hailed on Wall Street as synergistic genius and both companies saw their stock prices rise, along with CBS-related Infinity (N:INF) and Westwood One (N:WON). Excitement over the largest media merger ever also helped other media stocks, including most radio groups.

In addition to bringing Viacom back to radio, three years after selling off all of its stations, the deal is the first major TV group merger under the FCC's new TV duopoly rule (RBR 8/9, p. 3). The merger will create TV duopolies in Philadelphia, Boston, Dallas, Detroit, Miami and Pittsburgh. Some other markets will have to be divested to get the combined TV group under the 35% national audience coverage cap. According to BIA Research, CBS and Viacom combined have a total of 40.48% (after deducting the 50% allowance for UHF's in several markets). That means that Viacom/CBS will have to swap or sell at least five stations to get into compliance (see chart, right).

Redstone and Karmazin will have plenty of options for swapping, rather than selling, stations in the TV markets they need to exit. Look first to possibilities for Viacom to swap with its 50% partner in UPN, Chris-Craft (N:CCN), to give it a UPN O&O in markets where CBS already has an O&O TV. Beyond that, there are some obvious swap possibilities with TV group owners such as Belo (N:BLC) and Tribune (N:TRB) which would result in both Viacom/CBS and the other group having TV duopolies.

The only radio divestitures required will be one station in Chicago and two in Dallas, due to the new TV-radio crossownership limits.

Although the 1996 Telcom Act extended the Dual Network rule to bar ABC, CBS, NBC and Fox from acquiring UPN or WB, Viacom/CBS is expected to seek a waiver based on UPN's precarious status. Such a divestiture would be illogical in view of the recent TV duopoly change and could prove to be the final nail in the coffin for struggling UPN—leaving FCC Chairman **Bill Kennard** with the blame for killing a fledgling competitor in the network TV marketplace.—JM

Viacom-CBS market overlaps by market

Viacom TV O&O	CBS-TV O&O	CBS/Infinity radio O&Os # AM/# FM	Spinoffs likely
New York, Nielsen #1, Arbitron #1			
—	WCBS/Ch. 2	3 AM/3 FM	none
Los Angeles, Nielsen #2, Arbitron #2			
—	KCBS/Ch. 2	3 AM/5 FM	none
Chicago, Nielsen #3, Arbitron #3			
—	WBBM/Ch. 2	3 AM/5 FM	one radio
Philadelphia, Nielsen #4, Arbitron #5			
WPSG/Ch. 57	KYW/Ch. 3	3 AM/2 FM	none
San Francisco, Nielsen #5, Arbitron #4			
—	KPIX/Ch. 5	3 AM/4 FM	none
Boston, Nielsen #6, Arbitron #8			
WSBK/Ch. 38	WBZ/Ch. 4	1 AM/4 FM	none
Dallas, Nielsen #7, Arbitron #7			
KTXA/Ch. 21	KTVT/Ch. 4	3 AM*/5 FM	two radio
Washington, DC, Nielsen #8, Arbitron #9			
WDCA/Ch. 20	—	1 AM/4 FM	one TV possible
Detroit, Nielsen #9, Arbitron #6			
WKBD/Ch. 50	WWJ/Ch. 62	2 AM/4 FM	none
Atlanta, Nielsen #10, Arbitron #12			
WUPA/Ch. 69	—	1 AM/2 FM	one TV possible
Houston, Nielsen #11, Arbitron #10			
KTXH/Ch. 20	—	2 AM/2 FM	one TV possible
Seattle, Nielsen #12, Arbitron #14			
KSTW/Ch. 11	—	1 AM/4 FM	one TV possible
Tampa, Nielsen #14, Arbitron #22			
WTOG/Ch. 44	—	1 AM/5 FM	one TV possible
Minneapolis, Nielsen #15, Arbitron #18			
—	WCCO/Ch. 4 2 satellites	2 AM/2 FM	none
Miami, Nielsen #16, Arbitron #11			
WBFS/Ch. 33	WFOR/Ch. 4	—	none
Denver, Nielsen #18, Arbitron #23			
—	KCNC/Ch. 4	—	one TV possible
Pittsburgh, Nielsen #19, Arbitron #21			
WNPA/Ch. 19	KDKA/Ch. 2	1 AM/3 FM	none
Sacramento, Nielsen #20, Arbitron #28			
KMAX/Ch. 31	—	2 AM/5 FM	one TV possible
Baltimore, Nielsen #24, Arbitron #20			
—	WJZ/Ch. 13	3 AM/4 FM	one TV possible
Indianapolis, Nielsen #25, Arbitron #38			
WNDY/Ch. 23	—	—	one TV possible
Columbus, OH, #34, Arbitron #34			
WWHO/Ch. 53	—	3 FM	one TV possible
Salt Lake City, Nielsen #35, Arbitron #35			
—	KUTV/Ch. 2 1 satellite	—	one TV possible
Norfolk, VA, Nielsen #40, Arbitron #36			
WGNT/Ch. 27	—	—	one TV possible
New Orleans, Nielsen #41, Arbitron #41			
WUPL/Ch. 54	—	—	one TV possible
West Palm Beach, Nielsen #44, Arbitron #51			
WTVX/Ch. 34	—	2 FM	one TV possible
Oklahoma City, Nielsen #45, Arbitron #54			
KAUT/Ch. 43	—	—	one TV possible
Austin, TX, Nielsen #60, Arbitron #49			
—	KEYE/Ch. 42	1 AM/3 FM	one TV possible
Green Bay, WI, Nielsen #69, Arbitron #182			
—	WFRV/Ch. 5 1 satellite	—	one TV possible

* CBS also has an expanded band AM CP in the Dallas market

Source: BIA Research, RBR Source Guide database

FCC, DOJ give the thumbs up for casino ads everywhere

This past June the US Supreme Court handed down a decision to legalize casino advertisements on radio and television stations in Louisiana (*RBR* 6/21, p. 2), but the ruling left many scratching their heads and wondering if that decision would apply to all states. Now the industry finally has some clarity in that gray area: the DOJ and the FCC announced last month that they would abandon casino advertising restrictions in all 50 states.

Earlier this spring the High Court heard oral arguments from the Greater New Orleans Broadcasters Assn., challenging federal regulations that barred radio stations from airing commercials which specifically mention games of chance (such as slot machines), but allowed ads that promoted hotel rates, meal specials or entertainment. According to last week's announcement, radio commercials may now mention gambling as long as they are "truthful advertisements for lawful casino gambling, whether the broadcasters are located in a state that permits casino gambling or a state that does not."

Eddie Fritts, NAB CEO/Pres., called the announcement "a major First Amendment victory for the broadcast industry (and) completes our nearly 10-year battle against these advertising restrictions."—TS

MediaAmerica intros agencies to CD Radio, signs CNN Noticias

Now that MediaAmerica/Jones was chosen (earlier this year) by upcoming Satellite DARS provider CD Radio (O:CDRD) as its exclusive rep to the advertising community, it has been informing agencies and buyers about the company's value for next year's commercial launch. MediaAmerica's General Market Sales department held (8/17) a breakfast welcoming the advertising community to take an up-close, personal look at CD Radio at its NY studios.

"There's a certain amount of commercial time that the individual channels [i.e. Bloomberg] will sell and there will be aggregated time that we will sell on behalf of CD Radio," said MediaAmerica CEO **Ron Hartenbaum**. "Our approach is going to be 'if you want to buy CD Radio, you don't have to worry about are they listening to this or that channel because we are going to deliver all of the channels for you on the CD Radio inventory.' MediaAmerica will only be selling 50 of CD's 100 channels, as 50 are commercial-free music.

Competitor XM Satellite Radio's representation, so far, will remain in-house. Premiere, because of Clear Channel's investment (*RBR* 7/14, p.2) seems the likely outsourcing candidate.

After the recent announcement of marketing AP News (*RBR* 8/9, p.4), MediaAmerica is getting on the map with News offerings. CNN's Spanish-speaking news service—CNN Noticias—has chosen (8/16) MediaAmerica for its rep. Noticias will be represented, marketed and distributed under MediaAmerica Director of Hispanic Radio **Mike Castello**, who will work directly with CNN Radio Noticias GM **Herb Sierra**.

"Up to now, there's been no real sustained effort toward top of the hour news or news service in Spanish radio. Those that have existed were essentially repackaging of Latin American news services. This is a product that's going to be designed for the Hispanic here," Castello told *RBR*.

Finally, Hartenbaum says an IPO may be on the horizon. "It's a very simple reality. We know what we want to do, which is to ultimately take Jones International Networks—our parent company—public. We're all directed toward one common goal: How do we get this to the point where we've got a compelling story to sell the public market."—CM

Cox and AMFM shake hands on bicoastal blockbuster

Two of the nation's largest radio groups have agreed on a monumental station swap involving six markets and 16 stations. AMFM will receive only two stations in one of the markets, but what it is getting is extremely significant.

In LA, AMFM will add KFI-AM and KOST-FM to its already robust 1 AM/4 FM superduopoly. It will leap from 3rd to 1st place

in aggregate 12+ audience share based on Arbitron's Spring survey, surpassing Infinity and HBC and edging out the former by 0.4 shares for the lead.

"Adding two terrific crown jewels in the LA market where we already have such a dominant position is a wonderful opportunity for us to continue to demonstrate the power of the clusters," said AMFM Radio President and Vice Chairman **Jimmy de Castro**. "We become the #1 12+ and 25-54 cluster in LA, moving ahead of Infinity. We experience a 54% ratings increase in LA. We have a "Wall of Women" strategy that becomes complete with KOST, adding an AC leader to the female-based FM cluster of KKBT, KYSR, KBIG and KCMG. AMFM becomes a leader on the AM band with KFI combining efforts with KLAC. The new cume of listenership grows to 4.7M people from 3.5M."

Cox comes away with a bundle of stations. In Miami, it adds market 12+ leader WEDR-FM for a total of three FMs, and vaults from 6th to 2nd place. FM Standalone WFOX-FM Atlanta won't be so lonely any more as it solidifies Cox's hold on the Atlanta radio market. Cox's FM standalone in Bridgeport, CT will be enhanced with a double duopoly in the neighboring Stamford-Norwalk, CT market comprised of WEFX-FM, WNLK-AM, WKHL-FM & WOKV-AM. Also in Connecticut (New Haven), it will get WPLR-FM plus a JSA with Yale University's WYBC-FM. Finally, it will take over AMFM's six-station superduopoly in Jacksonville, comprised of WFYV-FM, WAPE-FM, WBWL-AM, WKQL-FM, WMXQ-FM & WOKV-AM.—DS,CM

July brought return to normalcy

What can we say? June's hot Food/Grocery promotions for summer picnicking dropped back to more normal NTR levels in July. In fact, pretty much every category was nearly in line with the year-to-date average. One notable exception: Office. After all, who wants to think about work in July?—JM

Non-Traditional Revenue Track % of Vendor/New Business by Category (July 1999)

	Jan	Feb	Mar	Apr	May	Jun	Jul	YTD
Automotive	10.36	17.84	12.16	9.42	16.01	4.29	16.09	10.54
Food/Grocery	22.48	42.19	21.06	18.83	23.20	49.33	25.44	30.75
Leisure	33.56	35.61	34.46	40.67	30.43	25.73	26.66	30.74
Health & BC	7.62	4.24	9.37	6.94	9.26	2.67	10.60	6.28
Home Improv.	7.26	5.39	8.02	9.08	3.57	5.50	5.58	6.09
Office	2.42	2.22	4.49	0.07	2.02	2.75	0.26	2.03
Clothing	3.28	0.15	1.41	12.35	2.75	6.38	7.62	5.14
Recruiting	23.39	10.21	9.03	2.65	12.78	3.36	7.74	8.43

Source: Revenue Development Systems; based on revenues from 76 stations in 32 markets.

Legend and counting: AMFM's Casey Kasem

by Carl Marcucci



One word could easily describe **Casey Kasem**: ubiquitous. His unmistakable voice has been heard in thousands of commercials, promos, cartoon episodes ["Scooby Doo," "Batman and Robin"], and of course, 1,600+ editions of American Top 40. The household-word career includes the armed forces, radio acting, the silver screen, theater, TV [currently Nick at Nite] and philanthropy [Jerry Lewis' yearly MDA telethon and Danny Thomas' St. Jude Children's Research Hospital, among others].

As of today, AMFM Radio Networks' AT40 and AT20 has over 350 Hot AC and CHR affiliates in 91 of the top 100 markets; 19 of the top 20. The show continues to be a major player in the 18-49 and 25-54 demos. And of course, AT40 is also heard around the globe.

Since 1950, Casey's been building the critical mass it takes for the history books. In this *AdBiz* Personality Profile, we look at that critical mass and the man behind it.

What is your radio history before AT40 launched in 1970?

I started radio in 1950 on the "Lone Ranger" radio program, a dramatic show that emanated from Detroit when I was 18 years old and just beginning college. I did that for a couple of years. I was drafted and went to Korea where I had an opportunity to create a production team that did dramatic and comedy shows. I had also done a little disc jockeying. When I returned home, I continued doing radio as an actor and then began doing news and board op for WJLB Detroit part-time. I did a little bit of disc-jockeying there too and eventually went over to WJBK, which was more pop-music oriented.

The first syndicating I tried was when two partners and I created a production company in 1952. We wanted to syndicate famous Bible

stories and sell them for \$25 a show. The trouble was, a company in Hollywood was doing radio dramas with name stars for far less. We did a demo and sent it out. Unfortunately, we had no luck. One station, turning it down, wrote "For that kind of money, I want it live...with the original cast!" We never did launch that particular show, but it put the seed in my head—that syndication could work in radio.

The next time that I tried syndication was when I first came to KRLA in LA in 1963. The morning DJ at the station was **Bob Hudson**. He called himself "Emperor Hudson." Emperor Hudson had in his castle a Lieutenant Cavendish (that was me), Daphney and Colonel Splendid. We syndicated those vignettes to the top 50 markets.

How did AT40 get started and progress from only six initial affiliates?

I think it was a combination of things. I give a lot of credit to the people that my partner **Don Bustany** and I teamed up with. I called **Ron Jacobs**. He had just been with KHJ and had taken it to number one in LA. When he heard what I wanted to do, he said, "Get over here fast, let's do it!" He had just started a business with **Tom Rounds**, who currently has Radio Express. Between the two of them and a man who did the funding, **Tom Driscoll**, we were on the air on July 4, 1970, after having talked about it just a few short months. Within the year, we had 75 affiliates and they were all, for the most part, large markets. So when it hit, it hit fast.

How was AT40 first offered to stations?

I suggested to Tom Rounds and Ron Jacobs, "Don't sell the show. Give it away." And that's one of the reasons that we got on so many stations so quickly. We gave the show away and in return, we received a certain number of minutes per hour for the three hour show that we could sell to Madison Avenue. One of the first sponsors was MGM Records, headed by **Mike Curb**. He had the Osmonds. I suggested to him, "Mike, why don't you advertise your new group and their songs on the radio?" He said, "Sounds good!" The first hit for the Osmonds went to number one. It was called, "One Bad Apple." It got a little bit of help from being promoted as a commercial on AT40.

After about a year-and-a-half, Tom Rounds and Ron Jacobs felt we could do better selling the show to stations. And that's when they swung over. Of course, when the show was subsequently sold to ABC in 1980, **Ed McLaughlin** immediately turned it around and bartered it the way we did at the beginning.

What do you like most about counting down the hits?

I like the storytelling and reading the letters, the long-distance dedications. Anytime in radio that you can reach somebody on an emotional level, you're really connecting. The stories are success stories. The letters from listeners often touch the heart and can be inspiring.

How has music changed over the years?

Interestingly, songs used to be short, then they became longer, and now they're getting shorter. But otherwise, music is about a beat and a message. If the beat gets to the audience, and the message touches them, you've got a hit. And for the most part, that message hasn't changed a lot over the years—love is still love, and heartbreak is still heartbreak.

How has radio changed over the years?

Basically, radio hasn't changed over the years. Despite all the technical improvements, it still boils down to a man or a woman and a microphone, playing music, sharing stories, talking about issues—communicating with an audience.

How do you think the Internet will impact radio?

I believe ultimately in a positive way. For years everyone looked toward the demise of radio when television came along. Before that, they thought talking movies might eliminate radio as well. But radio just keeps getting stronger. As you know, in the past several years, month after month, radio has increased its revenues—some of it even coming from Dot-Com advertisers. So, radio is a survivor.

What does it take to build a successful radio show?

Consistency. Always be consistent. I think if you analyze what we did on July 4, 1970 on AT40, and what we're doing today, you will find it's the same thing. We tell stories. We talk about statistics. And in 1978, we added an element of the show that gave it its heartbeat: the long distance dedication.

What would you say the appeal is for advertisers with AT40?

I'd like to feel that an advertiser gets something extra when they advertise with us. That something extra, I believe, is a certain humanity that comes from upbeat and positive human interest letters and success stories. Advertisers like to be associated with those qualities.



You've done over 6,000 commercials. What were some of the clients?

It must be more like 8,000. It's been amazing, the number of commercials that I've done, starting back in 1968. My first commercial was for Miller High Life beer. There are so many of them—Lemon Fresh Joy. I did Datsun for eight years. Union Oil for about seven years. Standard Oil for six-seven years. I did Ford, GM and Chevrolet. I did many spots for fast food chains. My agent said that I was one of the top three busiest people in the country. Then **Fred Silverman** asked me if I would become the voice of NBC in 1976. I did that for five years. I must have done about 25,000 promos.

What would you be doing if you never started AT40?

I think I'd be acting. I probably wouldn't have continued on the air on a daily basis. I was making strong inroads in the middle of the 60s. I did several low-budget films with actors like **Bruce Dern** and **Dennis Hopper**. Because of my background in theater and radio acting, I knew that I could make a living as an actor. I probably would be continuing to do voice-overs, continuing to do cartoon shows, and at the same time I'd probably be on a sitcom or a dramatic television show.

Do you want to talk about your move from Westwood One to AMFM?

I had a good experience with Westwood One. I worked with wonderful, talented people. We just couldn't agree on a new contract. I talked with AMFM Radio Networks and was absolutely delighted to meet a man with a great reputation, **David Kantor**. We saw eye to eye, and I made the move. Thanks to David and his dynamic, handpicked staff, my career is bigger than ever.

Orlando:

Battle of the behemoths in Mousekemarket East

Mickey Mouse's East coast digs are also home to the #1, #3 and #5 radio groups (AMFM, Clear Channel, Cox) in terms of revenue and total listeners, and they are locking horns, each with an impressive array of stations and a substantial share of the market's audience.

It is the smaller of the three, Cox, which has the upper hand, boasting a seven-station superduop which packs a major wallop with two of the market's top three stations, Country WWKA-FM and News-Talk WDBO-AM. Cox was also successful in upgrading its cluster last year, getting Religious WTLN-FM (RBR 3/2/98) and converting it to CHR WPYO. While yet to become a major force in the market, it has gone from a 1.0 share 12+ in Fa98 up to 2.4 Sp99, and it provides Cox with upside potential currently lacked by the other two.

Not that either Clear Channel or AMFM are likely to complain too loudly about a cluster which tops a combined 20-share. AMFM ceded 2nd place to Clear Channel over the course of the year. While Hot AC WOMX was steady, AMFM sustained ratings losses at its CHR WXXL and Urban WJHM. The group is hoping to rebound with the switch to Rhythmic Oldies at WOCL. Clear Channel enjoyed modest overall ratings gains during the year. Its one major move was to pick up the Oldies format which was abandoned by WOCL and install it on WSHE-FM.

Rounding out the competition is Gross Communications, which pulls a respectable share of the audience with its Smooth Jazz standalone WLOQ-FM.

RBR observation: There is great potential for change here if the oft-rumored merger of AMFM into Clear Channel takes place. Clear Channel has room for only one of AMFM's FMs. The required 3-FM spin-off could bring Gross near signal parity. Otherwise, the spin-offs will be a golden opportunity for a new entrant.

And make no mistake—this is a lucrative place in which to conduct the business of radio. Its \$105M in estimated 1999 radio revenue is comparable to radio earnings in markets with twice Orlando's population.

Owners Scorecard

Owner	AM	FM	Sp98	Owner	AM	FM	Sp99
**Cox	3	4	29.4	**Cox	2	5	30.7
**AMFM	0	4	25.0	**Clear Ch	2	4	24.7
**Clear Chan	2	4	22.1	**AMFM	0	4	21.7
Gross	0	1	3.8	Gross	0	1	4.1
Moffitt	1	1	1.4	*Rama	2	0	1.9
*Rama	2	0	1.2	*Q Bcg	2	0	1.6
*Q Bcg	2	0	0.9	Radio Luz	1	0	0.8
Radio Luz	1	0	0.4	*Moffitt	2	0	0.6

** = superduopoly; * = duopoly

Duopoly Dimensions

Stations	25	
Superduop	17	68%
Duop	6	24%
Total consol	23	92%

Market Statistics

Rank	39
12+ pop	1,104,600
%Black	13.1
%Hispanic	12.1
Radio revenue	\$105M

Famous groups which have left the market since 1992

American Media	NewCity
#Beasley	OmniAmerica
Granum	Paxson
Guy Gannett	#Root
Metroplex	Shamrock
Nationwide	Taylor

group remains alive and kicking

Sources: Arbitron, RBR Information Services Group

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 Credit Card #: _____
 Expiration Date: _____
 Signature: _____

Consolidation catch-up in progress

by Dave Seyler

Cleveland was among the last large markets to enter the superduopoly era. As recently as Fall 1997, there was only one superduop in operation (Nationwide 2), and with three unescorted FMs, it was, from a stick standpoint, as small as a superduopoly could be. In November 1997, Jacor bought Nationwide, building a six-station superduop here and kicking off a year of incredible change in the market.

Fall 1997				Rank		Owner
Rank	Owner	AM	FM	12+	12+	
1	**Nationwide	0	3	19.6	1	**Chancellor
2	*Zapin	1	2	17.6	2	**Clear Channel
3	Embrescia	1	1	12.4	3	Infinity
3	Jacor	2	1	12.1	3	Radio
5	*Clear Channel	0	1	9.5	6	Radio
		0	1	5.0	7	Linn
		0	1	4.7	8	Sp
		1	1	2.9		

Caller ID: the all-American appliance

Forget the proliferation of Internet use; in this age of the information superhighway, the relatively low-tech caller ID service is king. The latest Pathfinder Study released from Arbitron NewMedia found that caller ID is the fastest growing information appliance in America with its use quadrupled in the past four years.

"Caller ID and other single-purpose, inexpensive information appliances have gained and will continue to gain broad acceptance," says Dr. **Roberta McConochie**, Director of Research at Arbitron NewMedia. She adds, "These simple, 'always on,' instant gratification appliances offer a model to developers, service providers, marketers and manufacturers—especially in the PC/Web industry—for creating more compelling, consumer-friendly products that entice people to the more complex information devices."

In 1995, consumer penetration was 9% of persons age 16-74. In 1999, the percentage for the same group is 40%. The study also indicates that caller ID usage occurs across all income levels. 40% of households with

annual incomes of \$75K or more have caller ID. Households with annual incomes of \$25K or less have a similar level of penetration—39%.—KM

Breakdown of Media Appliance/Services by Household Income

	% of all persons 16-74	% of persons 16-74 in households < \$25,000	% of persons 16-74 in households > \$75,000
Caller ID	40	39	40
Cell Phones	49	24	77
Home PCs	54	26	83
Internet Use	39	18	64
Pagers	33	21	45

Source: Arbitron NewMedia Pathfinder Study 1999

Radio grows, but at the expense of commercial clutter

Major markets in the US are falling prey to increasing radio advertising clutter as radio continues to strengthen. Empower MediaMarketing, using Nielsen Monitor-Plus' measurement of 16 markets, showed that the commercial units increased 13% compared to the same period last year. A commercial unit is a paid advertisement 30 seconds or longer.

Julie Pahutski, Senior Vice President of Empower MediaMarketing's Knowledge, Information and Invention Group says that this trend shows that stations are adding more commercial units to deal with

strong demand for inventory. "Radio has benefited from the strong economy and the infusion of dot-com advertising dollars. In addition, consolidation in the radio industry has led to increases in rates in some particularly hot markets, meaning that advertisers, in many cases, are now paying more for a more cluttered environment," she elaborates. Pahutski says that the shrinking impact as a result of increased clutter is becoming an increasingly greater consideration among planners and buyers of radio.—KM

Radio Advertising Clutter Index

Q2 1997 – Q1 1999

Market	Q1 (99 vs 98)	Q2 (98 vs 97)	Q3 (98 vs 97)	Q4 (98 vs 97)	AVG INDEX
Atlanta	116	121	120	112	117
Boston	132	119	122	121	123
Chicago	116	104	103	100	105
Cincinnati	101	103	102	96	100
Dallas-Fort Worth	101	115	102	99	104
Detroit	118	117	123	108	117
Houston	92	106	102	102	101
Indianapolis*	96	102	101	99	100
Los Angeles**	99	103	102	104	102
Miami-Ft. Lauderdale	138	131	134	128	133
Nashville	106	98	103	100	102
New York**	101	105	106	103	104
Philadelphia	142	123	261	36	132
San Antonio	99	9701	93	98	
SP-Oak.-San Jose	205	174	231	210	204
Washington, DC	134	134	141	145	38
Overall	107	117	105	114	113

*Monitored 6a-12a **Monitored 6a-11p All Others monitored 6a-7p
Source: Nielsen Monitor Plus

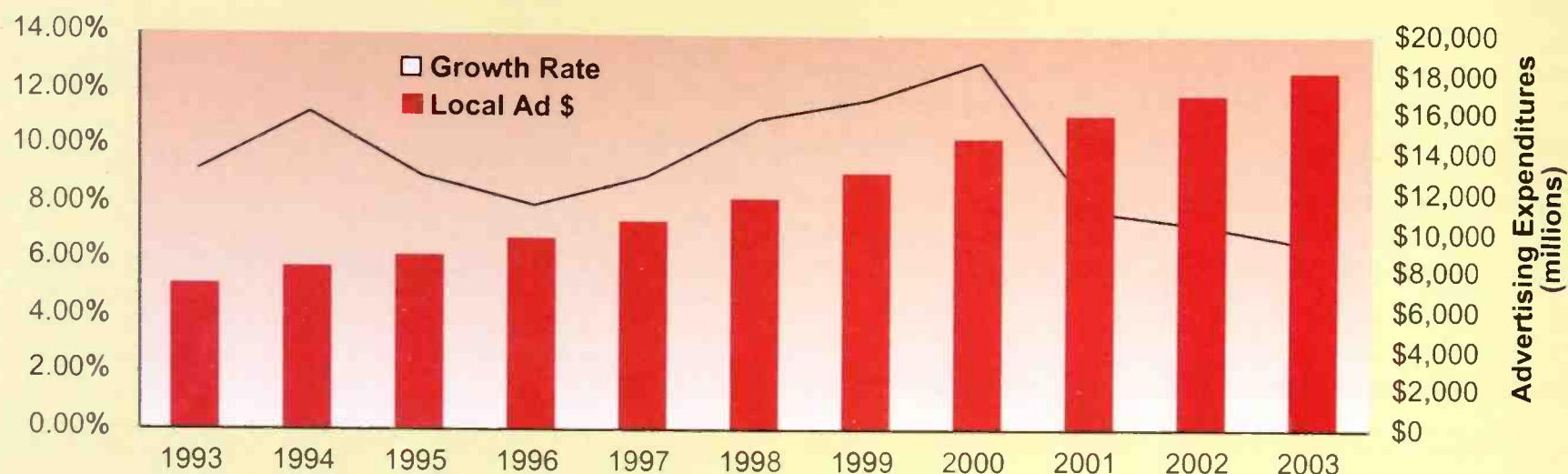
What about the next millennium?

Next year is expected to be a big year for advertising in all media. Forecasters may differ on just how big 2000 will be, but everyone agrees that the election/millennium year will be one for the ad revenue record books.

What then? How do you follow up on a growth rate that may come only once every thousand years?

Veronis, Suhler & Associates is forecasting a 13.1% gain in local radio ad sales next year. As the chart (below) shows, VS&A expects that growth rate to drop to 7.8% in 2001. The good news, though, is that local ad sales are expected to grow by more than \$1B in 2001, continuing the steady march toward \$18B+ in 2003. That will result in an impressive annual compound growth rate of 9.3% for the five-year period from 1999-2003.—JM

**Growth of Local Radio Advertising Expenditures
1993-2003**



Ad News

Networks join forces to sell medium to advertisers

The five RADAR-networks—AMFM Radio Networks, ABC Radio Networks, American Urban Radio Networks, Premiere Radio Networks and Westwood One—know exactly how effective their medium is. But to ensure that everyone, especially the advertisers, know the five have come together to sponsor a day at the Association of National Advertisers' Annual Conference in Amelia Island, FL 10/11.

According to **David Kantor**, President, AMFM, the network had been in constant conversation with the ANA when the idea to present the day came up. Then AMFM decided that the case for network radio would be better made collectively as a group. So Premiere was next approached and they immediately agreed. And then the other networks also joined in.

Andy Cooper, Communications Director, ANA tells *AdBiz* that the organization has been reaching out to media companies to help plan their general sessions for the past few years. "What's interesting about radio as a medium is that you have a 100 year old medium that is re-emerging in some exciting ways. As more media fragmentation occurs in the marketplace, radio really has a strong brand building story to tell in terms of its ability to reach very targeted audiences," Cooper says. He adds that radio also has the added advantage of being able to drive consumers to websites effectively. Cooper concludes, "Here you have a 100 year old medium that in many respects is very much in tune with some of the most compelling trends that are affecting marketers today. So for all those reasons, we concurred that a general session focused on radio as a brand building tool would be very important to our members."

Kantor thinks that now is the right time to inform or remind advertisers of how much network radio has evolved. "The industry has gone through so much in the past few years in terms of different owners and new networks, the quality of the products you are getting and

higher standards in the networks. So it was really a good time to take that story out to the advertisers."

Elaborating, Kantor explains that network radio currently enjoys unprecedented reach. He adds, "Network radio really covers most radio stations in the US including the highly rated ones which weren't really from network radio a few years ago. And now, the fact that the top four networks are also the four largest station owners really makes it a much stronger medium."

The other network presidents share his enthusiasm and sentiments. Premiere's **Kraig Kitchin** considers this alliance to be a first. "Never before have four companies worked so well (AURN joined later) to put the best face possible on our industry to potential advertisers. ABC, AMFM, Westwood One and Premiere have put aside any competitive practices, agreed on a set of 10 principles of doing business and built a compelling story on how to sell products and services using our medium."

AURN's President **Jay Williams** agrees. Williams rejoined AURN in June and within a few days was called on by AMFM's **Marty Raab** to join the group. Williams says, "I was delighted and it harkens back to the days when we had a radio network association where we did go out collectively to sell the medium to national advertisers. And we would go to a group of presidents, to various agencies and advertisers to sell the values of network radio to them."

Kantor is hopeful that the group's presentation will open the eyes of the national advertisers and convince them that radio is "a revived, new medium." He believes that there is still more room for growth in network radio and is excited that the group is taking the first step in that direction.

Williams is also hopeful that the group will have more opportunities to work together to increase the popularity of network radio. "I think the larger story of network radio needs to be continually expressed and shared with every advertiser and I would look forward to participating in any effort in the selling of network radio, the medium to advertisers."

The group will present the value of network radio for brand building to 257 member companies of the ANA representing more than 5,300 advertising entities.—KM

AdBiz News Briefs

MediaAmerica moving programming to Jones Radio Network

On 8/30, all of MediaAmerica's daypart, long-form and short-form programming moved under the Jones Radio Network umbrella. "This is a natural next step in the growth of our companies. Consolidating our programming under JRN allows MediaAmerica to focus on its original mission: radio network and syndication advertising sales," said MediaAmerica/JRN CEO **Ron Hartenbaum**.—CM

KLOS-FM faces anti-discrimination suit

Disney/ABC's (N:DIS) Active Rock KLOS-FM LA has been slapped with an anti-discrimination and harassment lawsuit and racial discrimination and sexual harassment complaint from two African American women (8/6) employed at the station. The 8/98 "Black Hoe" on-air promotion/gag on the syndicated "Mark and Brian Show" is the cause of the suit, forcing the women to participate in the event—packing and shipping the racially offensive and demeaning plastic hoe gag gifts to advertisers and listeners nationwide from the KLOS flagship.—CM

Interep posts gains

Q2 revenues increased 6.3% to \$25.5M for Interep National Radio Sales (public bonds) and the report is even better if you exclude the rep company's revenues from contract terminations—commission revenues rose 9.6M to \$24.2M. Cash flow (EBITDA) declined 3.3% to \$6.9M, but excluding the termination cash operating cash flow gained 7.3% to \$5.6M.

CEO **Ralph Guild** applauded the gains for the radio rep's ongoing business and expressed confidence in the future: "Our strong position in the radio business provides us with an excellent foundation for our expansion into the Internet."—JM

NBG sets sights on Nasdaq

NBG President **John Holmes** tells *RBR* he is in the process of moving his company over to Nasdaq: "Our investor relations side has kicked in an aggressive awareness campaign with brokers, investors and newspapers. We need to get our stock up to \$4 and get our Nasdaq application in. We realize we have to do that before we begin acquisitions within the industry and great expansion internally."

NBG's other three Nasdaq requirements have already been met: Net tangible assets, shareholders and cash in the bank requirements.—CM

Media Index

Steady As She Goes; Radio Holds 19% of May Ad Bucks

By Jack Messmer

In virtually a repeat of its performance of May 1998, radio claimed 19.01% of local ad spending in May 1999, off a fraction of a point from the previous year. The most noticeable changes were a decline in radio's share of TV promotional spending—69.1%, down from 84%—and radio's dominance of a category which didn't even exist a year ago—a 45.51% share of Internet/E-Commerce ad spending. Look for dot-com business to be an increasingly important segment of this monthly tally.

RBR/Miller Kaplan Total Media Index

May 1999 (Expenditures in 000)

Category	Newspaper	TV	Radio	Total Media	Radio % of Total
Automotive	42,385	163,870	214,009	420,264	10.09%
Restaurants	14,136	45,548	3,870	63,554	22.24%
Department Stores	11,543	19,891	85,928	117,362	9.84%
Foods	10,637	33,539	3,038	47,214	22.53%
Communications/Cellular	18,262	27,826	40,319	86,407	21.13%
Furniture	8,485	16,625	33,250	58,360	14.54%
Financial Services	16,407	18,662	40,741	75,810	21.64%
Movies/Theater/Concerts	6,646	11,965	20,105	38,716	17.17%
Grocery Stores	10,003	12,516	17,449	39,968	25.03%
Appliances & Electronics	3,485	11,492	35,112	50,089	6.96%
Hotel/Resorts/Tours	4,811	13,661	37,148	55,620	8.65%
Drug Stores/Products	5,802	14,457	10,216	30,475	19.04%
Computers/Office Equipment	3,169	5,138	21,210	29,517	10.74%
Specialty Retail	16,793	19,954	30,002	66,749	25.16%
Health Care	8,746	14,842	11,989	35,577	24.58%
Auto Parts/Service	5,457	10,738	7,208	23,403	23.32%
Music Stores/CDs/Videos	4,262	6,171	3,365	13,798	30.89%
Transportation	5,428	5,942	14,634	26,004	20.87%
Entertainment-Other/Lottery	7,752	6,271	4,191	18,214	42.56%
Home Improvement	5,668	14,883	12,404	32,955	17.20%
Professional Services	8,878	9,723	11,137	29,738	29.85%
Beverages	17,632	19,924	2,510	40,066	44.01%
Television	37,669	5,521	11,322	54,512	69.10%
Personal Fitness&Weight Ctrs.	1,133	3,922	1,238	6,293	18.00%
Publications	3,764	3,567	31,538	38,869	9.68%
Internet/E-Commerce	10,503	7,703	4,872	23,078	45.51%
TOTAL	289,456	524,351	708,805	1,522,612	19.01%

*Based on Media Market X-Ray composite data for 15 markets (Atlanta, Charlotte, Cleveland, Dallas, Houston, Minneapolis-St. Paul, New York, Philadelphia, Pittsburgh, Portland, OR, Providence, Sacramento, San Diego, San Francisco, Seattle). Newspaper and television data compiled by Competitive Media Reporting and radio data compiled by Miller, Kaplan, Arase & Co., CPAs. For further information contact George Nadel Rivin at (818) 769-2010.



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Dallas
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