

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

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AMERICAN URBAN RADIO NETWORKS

#1

THE URBAN RADIO LEADER



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Streaming killed in AFTRA fallout

Hundreds of radio stations shut down Internet streaming as concerns about financial liability emerged in LA and then swept nationwide. RBR.com reported Sunday, 4/8, that virtually all LA stations had stopped streaming. By Tuesday, 4/10, Clear Channel (N:CCU) had stopped streaming nationwide and other companies were following suit. The problem: AFTRA (American Federation Of Radio and Television Artists) is enforcing a new provision of the "Recorded Commercials Contract" which went into effect last October. It requires advertisers to pay AFTRA union talent a minimum 300% of their normal session fee when commercials originally recorded for radio are re-

Meet radio's compassionate conservative—page 8



The hits just keeping on coming @

www.rbr.com

1,318,932 Hits in March Alone!*

*Microsoft Site Server Analysis

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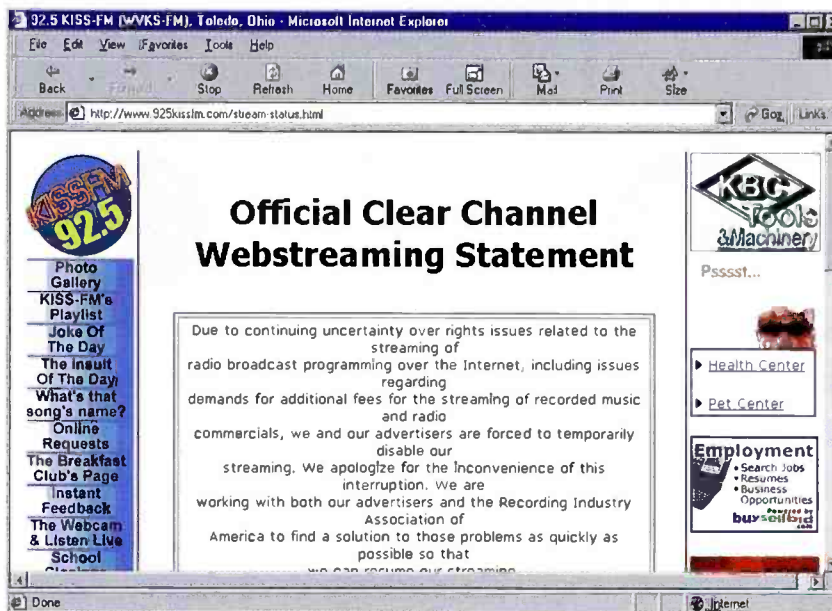
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broadcast on the Internet.

Shortly after the AFTRA decision, letters went out from ad agencies all over the country telling stations not to webcast spots made with AFTRA talent because those fees would be charged to the advertisers themselves.

"I received a fax 4/5 from a California-based ad agency telling us to stop streaming commercials for Factory-To-You until permission was given. Wonderful—we expect that many agencies in the LA area will do the same until the AFTRA problem is solved," **Rich Potyka**, KRXS-FM Phoertix GM tells *RBR*. "For now it is the second strike in streaming against us—first RIAA, now AFTRA."

The AFTRA provision, when added to the recent RIAA-imposed fees (*RBR* 2/12, p.8, 12/18/00, p.4), was the straw that broke the camel's back for Clear Channel Radio CEO **Randy Michaels**, according to *RBR* sources. Listeners who go to almost any CCU Radio site now find the following: "Due to continuing uncertainty over rights issues related to the streaming of radio broadcast programming over the Internet, including issues regarding demands for additional fees for the streaming of recorded music and radio commercials, we and our ad-

vertisers are forced to temporarily disable our streaming. We apologize for the inconvenience of this interruption. We are working with both our advertisers and the Recording Industry Association of America to find a solution to those problems as quickly as possible so that we can resume our streaming."

"This was a corporate decision," said **Kevin Mayer**, Chairman and CEO of Clear Channel Internet Group. "We are working hard to resolve outstanding issues with all concerned parties. It is our intention to put the streams back up when it makes legal and financial sense. We are also in the process of selecting and deploying technology that automatically inserts and removes commercial messages and making other changes that will insure the financial and legal viability of the product."

Companies offering ad insertion technology say they can fix the AFTRA problem for broadcasters. See page 11 for more details.

While some CCU stations using other servers, like Coolink, StreamAudio and Yahoo! Radio were still streaming for a day or two after the edict, most managers have been told to take their streams down until the issue is resolved. CCU's CNET Radio, Worldclassrock.com and knac.com are still up.—CM

Fill 'er up: FCC 8th Floor nominees

During a recent meeting with the trade press, FCC Chairman **Michael Powell** responded to a question about a future FCC vote by asking "Can you tell me who the Commission is?"

Sure thing: **Kevin Martin**, **Kathleen Abernathy** and **Michael Copps** will be joining Republican **Michael Powell** and Democrat **Gloria Tristani** on the five-member Commission, assuming they all receive Senate confirmation.

Martin, a Republican, was an assistant to outgoing Republican Commissioner **Harold Furchtgott-Roth**, and more recently was assigned by President **George W. Bush** the task of finding candidates for the Commission vacancies. Taking a page from Vice President **Dick Cheney**, one of the candidates he found was himself. His term will expire in 2006.

The other Republican will be Abernathy, a veteran of the telecommunications industry who is pegged to remain in office until 2005.

Copps will take the remaining Democratic chair currently occupied by outgoing Commissioner **Susan Ness**. A former aide to Senator **Ernest Hollings** (D-SC), his term expires in 2004.

The trio's tenure as the newest kids on the block may be brief, as Tristani is said to be entertaining the possibility of returning home to New Mexico to run for political office.

"Each of the three nominees...will bring important experience and expertise to the commission and I welcome the opportunity to carry out the responsibilities of the FCC with them," said Powell.—DS

FCC issues indecent guidelines

Seven years after the fact, the FCC has finally complied with a federal court settlement that required the Commission to issue guidelines that broadcasters can use to determine what does, and what does not, constitute an indecent broadcast. According to the new guidelines, "The more explicit or graphic the description or depiction, the greater the likelihood that the material will be considered patently offensive. Merely because the material consists of double entendre or innuendo, however, does not preclude an indecency finding if the sexual or excretory import is unmistakable." The 27-page document includes examples of broadcasts which have been found to be indecent. The Commission says the new guidelines provide a framework whereby broadcast licensees "can assess the legality of airing potentially indecent material." The guidelines, in the entirety, are available on the FCC's website.

The only vote against the guidelines came from Commissioner **Gloria Tristani** (D), who said there was no need to bother with the seven-year-old court order. She claimed that the statement of indecency guidelines "perpetuates the myth that broadcast indecency standards are too vague and compliance so difficult that the Policy Statement is necessary to provide further guidance." The real problem, she insisted, is lax enforcement.

In a statement attached to the guidelines, Commissioner **Susan Ness** (D) called on broadcasters to consider reinstating a voluntary code of conduct. She called on the **Bush** administration and Congress to remove any antitrust impediments to such a code.

Commissioner **Harold Furchtgott-Roth** (R) endorsed the guidelines, but warned that they have probably set the stage for a new court battle on the FCC's authority to regulate broadcast content.—JM

Radio News[®]

iBiquity submits SF test data

After extensive field testing, iBiquity Digital announced it has submitted successful KLLC-FM San Francisco test results on its IBOC digital broadcast system to the FCC and National Radio Systems Committee (NRSC). San Francisco is considered one of the most challenging urban reception areas in the US for FM reception. The company says its system overcame the city's inherent problems of multipath, which creates static in analog reception.

"The world was waiting for the results from San Francisco

because if you ever had to challenge any kind of system, SF is the place to do it," iBiquity VP Broadcast Engineering **Glynn Walden** tells *RBR*. "I was extremely pleased at how well the system performed—better than analog and any other digital system that has ever been tested there."

San Francisco adds to iBiquity's previously submitted results to the FCC from Washington, DC and Las Vegas.

Where does this leave the standardization process? "The FCC has endorsed the NRSC as an acceptable evaluation forum for IBOC," says Walden. "If the NRSC comes up with an opinion that IBOC is the way to go,

then the FCC is inclined to adopt that. We have completed the NRSC tests in a number of markets. We will be doing AM testing over the next three months."—CM

NAB: ABC stays put

The NAB's support for the 35% national television audience ownership cap led to the departure of CBS/Infinity from the association (*RBR* 4/9, p.1). In this, CBS joined two other television networks—Fox and NBC—which both departed some time ago, and it led to speculation about ABC, the lone remaining major network.

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The speculators can take a rest: ABC isn't going anywhere. ABC's Executive VP, Government Relations **Preston Padden** issued the following statement: "ABC will remain a member of NAB and work from inside the organization with the twin goals of (1) restoring broadcast industry unity and (2) embracing consistent and principled deregulation of broadcast ownership rules."—DS

Next LPFM filing window set to open

Applications for LPFM stations in selected states and territories will be accepted by the FCC from June 11 through June 15. The locales included in this filing window are Alabama, Arizona, Arkansas, Florida, Guam, Iowa, Kentucky, Massachusetts, Montana, Nebraska, New Jersey, New Mexico, North Carolina, North Dakota, Oregon, Pennsylvania, Tennessee, Texas, U.S. Virgin Islands, Vermont, Washington and West Virginia.

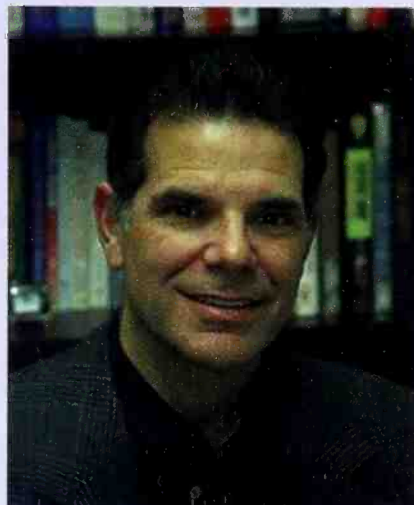
RBR observation: Memo to those who would apply for one of these underpowered peashooters: Don't forget to allow for 3rd-adjacency protection for the real stations. Also, former pirates have been black-listed and need not apply.—DS

FCC seeks \$18.5M budget increase

President **Bush's** first budget proposes to raise funding for the FCC by \$18.5M to \$248.5M. In explaining the budget request, the FCC noted that nearly 40% of the increase will go to mandatory salary and benefits boosts and inflationary increases for services from outside contractors. The rest, nearly \$11M, is for replacing outmoded computer systems and upgrading the Commission's information technology infrastructure.

The most controversial item in the FCC budget concerns TV. The budget proposes to collect spectrum fees of \$2M in the government's fiscal year 2002, which begins 10/1/01, from TV stations for the analog spectrum they're continuing to occupy while DTV is implemented.—JM

Radio News®



Myers cuts ad revenue estimates

Ad guru **Jack Myers**, Chief Forecaster of The Myers Group's Myers Reports Inc., has revised his forecast for 2001 ad spending growth. He's revised his estimates downward (had you guessed?) for most media, including radio. He now expects radio ad revenues to rise 5%, rather than the 9% he was expecting less than four months ago. Ad spending for all media is projected to rise only 2.4%, rather than the previously forecast 4.9%.


"All indicators clearly show that marketers have made the decision to withhold spending until they see how the economy shapes up," Myers said. He had previously been expecting an economic upturn in the second half of 2001, but now says "it won't go up and could continue to decline."

Here's how Myers has revised his projections for US media ad revenues this year, compared to his December forecast (*RBR* 12/11/00, p. 6).

When we published his previous forecast, Myers said the ad industry appeared to be going through a "correction," but not a "recession." So, we asked, is Myers now using the "R" word? "I believe we are going into a media recession, yes," he responded. Myers considers it to be a recession when there are two back-to-back down quarters. "To date, the only medium to report that thus far is network cable."

Myers formed The Myers Group in 1981. Prior to that he worked in several of the media he now tracks. He was an executive with CBS-TV, ABC Radio and Metromedia Outdoor.—JM

US media forecast by Jack Myers

	Yr. 2001 forecast on 11/00	Projected 2001 revenues on 11/00	Yr. 2001 forecast on 4/01	Projected 2001 revenues on 4/01
Newspapers	2.0%	\$50.67B	Flat	\$49.68B
Broadcast TV Networks	3.6%	\$17.58B	2.0%	\$17.31B
National Spot TV	2.5%	\$12.63B	1.0%	\$12.48B
Local Spot TV	2.0%	\$13.94B	1.5%	\$13.87B
Broadcast TV Syndication	2.8%	\$3.10B	2.8%	\$3.10B
Radio	9.0%	\$20.81B	5.0%	\$20.04B
Yellow Pages	Flat	\$12.71B	-1.0%	\$12.59B
Consumer Magazines	7.0%	\$19.08B	4.5%	\$18.64B
Network Cable TV	14.0%	\$11.13B	1.1%	\$10.84B
Local/Regional Cable TV	18.0%	\$4.31B	16.0%	\$4.24B
Online	70.0%	\$8.16B	40.0%	\$6.72B
Outdoor	16.0%	\$2.50B	12.0%	\$2.41B
Other	-2.0%	\$40.38B	-3.0%	\$39.97B
Total US Media	4.9%	\$217.01B	2.4%	\$211.86B

Source: Myers Reports Inc.

Amazing tool can help tool up web sales

Would you like to arm your sales staff with an NTR cannon? Fairfax, VA-based Amazing Media is attempting to aid in the effort by unveiling its "AdVariant" marketing system to radio, which was unveiled last week.

Here's the way it works: Amazing Media licenses its product—done-in-10-minutes customized banner ads—to a radio station to sell to local advertisers as part of a package or separately. The rep can create the ad right there via a laptop and the system's on-screen form, obtain the advertisers approval, then enter it in the AdVariant system. Within two days, the ad is up on the station's site and/or a network of other targeted sites within the Amazing Media Network.

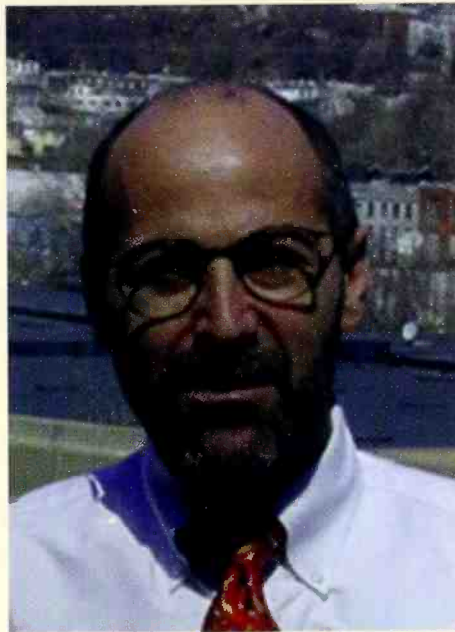
Criteria choices begin by choosing what the ad is intended to do (promote a product or service, drive traffic, etc.). Then the teaser line and teaser follow-up lines are given, service details, the call to action, company name, logo and the advertisers' clickable URL. Currently AdVariant offers 22 banner ad templates—and that total will soon rise to 100.

Next, the client chooses the banner ad schedule, targeting the type of website it wants to be seen on, then geo-targets for placement, start and end times and the number of appearances and desired CPM based on monthly rates.

For radio, AdVariant Express costs \$100/month with a \$500 setup fee. The first \$100 of revenue goes to the station; the rest is split 50/50.

"With my knowledge of the radio business, and the issues they face with their respective interactive strategies, the AdVariant software is perfectly suited for them," Amazing Media CEO **Todd Schmidt** tells *RBR*. "Radio is so successful at leveraging their assets with local and

Radio AdBiz



The Big Picture

by John Camilleri

Many times after a buy has been done and the station rep or sales manager has tracked me down, they want to know why we didn't buy them. I often tell them, though, that "we did buy you," however, the order just wasn't placed through their local station. Besides the spot buys, we also lay in our network buys, along with the syndicated programs, the NPR buy and the traffic sponsorships. So, we may indeed be airing commercial messages on that station.

Then to complicate things a bit further, we add in the TV, newspaper, online and magazine schedules too. Throw in BDIs, CDIs, market history, sales potential, ethnicity and other marketing criteria, and soon we have a very complicated scenario. This information, in addition to the actual local radio delivery, influences the different

weight levels that are translated into the local metro areas. When you put all of these together, a much different picture is painted than if we were just looking at a spot radio buy alone.

We perform this time-consuming and labor-intensive task to truly see how many TRPs are being delivered into a local metro area. And yes, we do it for the top 50 Metros...just for starters. I guess that Minneapolis will get more overall points for our snow blower campaign than Charlotte, after all.

This analysis might reveal that we are actually over-delivering on the "must buy" station with our network and syndicated buy. Or the high CPP that a big come station is looking for is not necessary, because the station is being delivered via traffic sponsorships. Or the upscale audience that we are "totally missing out on" is coming in on the national or local public radio buy. Or the good looking "numbers" station runs 20 commercials an hour. Or a key competitor has an exclusive sponsorship of the report we want.

Then we have to react to unforeseen circumstances. The syndicated/network buy that airs 6am to 7pm nationally, airs on the big station in this market during evenings and weekends, hence, delivering only 25% of the TRPs that other markets are receiving. So, we do actually have to go in and buy the market or station locally to have the type of presence that we want. Or, that "upgrade" we got from one network to a bigger network leaves us naked on station X in market Y. Oh, by the way, the CEO's wife listens to station X. Guess we'll buy X.

So, moving nimbly and tiptoeing through the minefield that is called the media landscape takes time and hard work through analysis. There are so many variables, so many media choices these days that yes, we may be "missing out" on a given marketplace, but it is a conscious decision nonetheless.

John is VP, Technology Group, Harmelin Media. He can be reached at 610-668-7900 x144 or jcamilleri@harmelin.com

regional advertisers, they finally have a tool that will enable them to sell up advertisers to their online properties."

NetZero, which signed with Amazing Media and launched its AdVariant Enterprise system 4/9, will allow businesses to create and run their own online campaigns through NetZero's

"ZeroPort" onscreen ad banner vehicle. With Amazing Media's larger Enterprise AdVariant version, NetZero plans to employ 172 specific geo-targeting zones, based on 8M users, for its ad clients.

Other Amazing Media clients include Sun Microsystems, BizLand.com, eCongo, Sybase and Quova.—CM

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We asked a few general managers from around the country to share with us, and you, their views of the industry.

This month we quizzed

Edward F. Perry, Jr. Owner/GM of WATD-FM Boston, MA



Lee Rust Owner/GM of WJZR-FM Rochester, NY



How do you motivate your sales team in a radio environment?

Perry I try to get them to, number one, operate as a team and I give them incentives for selling. For instance, we have a contest every

GM Talback

by Karla Roberson

week. I have this glass jar full of numbers and the numbers correspond to envelopes. There are varying numbers of envelopes each meeting and in those envelopes will be things from lottery tickets to hundred dollar bills. When they achieve a goal, they get to pull a number and then I give them the envelope corresponding to the number. They seem to like that a whole lot because they're very competitive by nature and this really makes it more fun. I just started doing that a month or so ago and it really works well.

Rust How do you motivate them? They like to pay their rent! No, really, we have an integrated sales and air staff here so it's all in seeing people do them both. I mean, this is a very small station so it's run more like a small town—small market station. People do sales and production for air shifts and the whole thing. They get a salary for their shift work and a commission on the sales. So in a role, then, it's hard to tell the two apart sometimes.

What are the sales pitches that are working for your team?

Perry The sales pitches that seem to be working for our team is, "We give you value." If you go out into the community and ask people how they view the product, they will tell you that the radio station is well respected. We have a niche. We are probably the only radio station in New England ever to have won five national Edward R. Morrow Awards for News. WBZ in Boston—which is an all News station—may have won five; I don't know, but I don't think so. Anyway, we have a great deal of credibility on the street and we sell that credibility. You know, the radio is truly a medium where you say to people, "Trust us...believe what we say." So it's important that the community starts by believing what you say when you're not running a commercial. We sell credibility and we

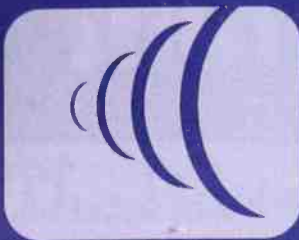
sell the fact that the newspapers, the cable people have a declining audience. You know, newspaper circulation is going down. Cable TV is getting eaten by the satellite services and we are a constant. We haven't had to raise our rates because the only thing that goes up really is the cost of personnel and the cost of electricity, but we don't have to go out and buy news print and the papers do. We don't have to pay delivery services—the papers do. So we take advantage of the fact that we continue to offer really an incredible value for your advertising dollar.

Rust For us, it's really quantity versus quality. We're up against the usual, large groups. They cluster their spots—eight, ten spots in a row—and we don't. And so it's a matter of getting the message across as opposed to burying it in the cluster someplace; as well as targeting the audience. I mean, we have a specialized audience and we're really careful to vote in people as sponsors, as clients who are well suited for our audience.

How did you get into radio?

Perry I got into radio because when I was in the second grade at the West Elementary School in Natick, Massachusetts, the chairman of the school committee who was a musician and had a band came to our class to demonstrate his band music. And he demonstrated it by taking a wireless microphone and playing records of his band through radios that he had located throughout the classroom. And I was absolutely fascinated by that and it was at that point that I knew that's what I wanted to do and that's what I worked toward doing. You know, I've done a lot of things—I've been an editor, I've been a writer, I've been a salesman, and I've been a soldier—but this is the thing that's the most fun for me.

Rust My father was in radio and I just sort of hooked onto it.



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Mike Savage is part of the Masters Plan.

RBR speaks with Mark Masters, CEO of Talk Radio Network, about his breakout talent Michael Savage.

How did you first hear about Michael Savage?

I heard from several different people. I listened to him as I was driving through San Francisco one day and was captivated. In fact, I was returning a rental car and I sat outside of the rental car return place at the airport for an extra hour and a half because he was that interesting. After that, around two years ago, we started talking.

People are comparing Michael to Rush Limbaugh. What are the differences?

I'll tell you what they have in common first. Both of them challenge you to think in ways that you might not have thought of before. They also confirm and express thoughts that you probably didn't crystallize to express personally, but things that you already knew. Where they're different, I think Michael comes off with a bit more eviserating emotion and his comedic style is quite a bit different than Rush's. There's only one Rush. There never will be another Rush. But, there's also only one Michael Savage.

What's it like to have another break out show as you did with Art Bell?

It was very exciting to have a break out show like The Art Bell Show. But, when Premiere approached the shareholders of our company to buy The Art Bell Show back in 1997 ultimately to sell in 1998. The offer was very lucrative and we went our own way. Then after that occurred, we took a look at the market place and realized there was room for another break out show. We started looking around and finally ended up with Michael Savage. I took the Michael Savage program and

Programming for Profit

By Ken Lee



presented it to some of the biggest executives behind the scenes in the talk industry and ultimately ended up working out a relationship with **Stu Crane**. Stu was one of the main partners in EFM Media, the company that syndicated Rush.

It sounds like he's really got some momentum going.

We've been very pleasantly surprised the last two months at that amount of stations we've picked up. You could probably see them in our most recent ad because we usually run the most recently added stations. We've recently picked up Houston, Omaha, and Orlando. We've done very well in Orlando. WTNT in DC, well I can't talk about that. We have deals on the table that should be pretty surprising to everybody. But, stations still have to tell their local talent. Syndicators of other talent are canceling and they have the right to say that and I can't. But, needless to say it's very, very encouraging.

How's the support been from the advertising community?

We've been running in the last three months at about an 85% sell-out, which is really pretty good. Our average rate is quite a bit higher than the cost per point for talk right now with the soft market. We only have so many minutes to sell. But, we've been getting a good rate. We try

to care about our advertisers and try to make sure there's a right fit. So, we've been getting very, very good support. And, we have a good sales team.

This is a little different than Art Bell.

This is a big day part. It's pretty exciting. Just yesterday from John Brosky, from Fresno, his last two months of the trend, the station went from a 5 share, 12 plus, to an 8.6. It went from 5.5-6 share, 25-54, to 12.1 and an 8 share, 35 plus, to 16.5 share. The first 5 months he was on KVI, from the first month of the trend to the fifth month of the trend. When he went on the air at KVI, Seattle, there was a .4 rating in his time slot. By the end of the fifth month it was a 10.5.

What are you excited about?

Being live in LA [on KPLS-AM] is a big deal. It's going to give **Larry Elder** a run for his money.



Most people are running this in afternoon drive. Is that typical?

4-7pm. I also think WTNT is a big deal. Which is going to be great for Washington, DC politics. The Stu Crane element is kind of exciting. There's only a few entrepreneurial players that built these big shows. There's TRN who obviously built The Art Bell

Show. But, **Ed McLaughlin**, Stu Crane, and **John Ashton** did EFM with Rush. And then the Laura people. Jeff Rich went over and sold his clearing operation to ABC already today. So, there's only a few entrepreneurs that are left of the old companies. The interesting part is that the people that did all of the sales for the **Dr. Laura Show**, sell for us, **Ken Williams** and **David Landau** who were former Executive Vice Presidents of Premiere. When the Dr. Laura Show sold, Multiverse, which was an in-house division of the company that did all of the sales for Laura was sold to Premiere also. Then Ken Williams and David Landau, who were the people who did the sales for Dr. Laura, who ran Multiverse became Exec. Vice Presidents for Premiere. Then they left and now they represent the Michael Savage Show. So, we could have the three syndicated pieces of the teams that built the three biggest syndication shows that ever sold, working together. Stu, from the Rush Limbaugh Show, us, from Art, and Ken Williams and David Landau from Laura. So, it's kind of a nice ensemble team.

You've proven that you have the right people to make things happen.

A nice angle is that the entrepreneurial spirit is still alive in radio. Even though there's been a lot of things said about how conglomerates have squeezed out everybody. I think we've proven there's as much opportunity left for the entrepreneurial spirit now than there ever was. There's just different rules that you have to learn to excel. The former entrepreneurs of some of these big shows, some of the key players have clung together to create a new entrepreneurial enterprise. To take advantage and fill some of the holes that were present.

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Small Market Operators use the Internet to fight first quarter revenue blues

While RAB reports that revenues are off by as much as 20% in most markets, not all of radio is suffering from the "first quarter revenue blues." Small market operators across the nation are doing something that has eluded most large market and major group owners. They are using the expanded value that the Internet has to offer, along with creative pricing models, to increase their revenues during a dismal national downward revenue trend.

Small and medium markets (market sizes 150 and down) have long suffered from stagnated rates and increased competition from local print and consolidated group ownership. Local print competition most likely comes from a single "hometown" newspaper and a handful of weekly specialty print publications offering coupons and classifieds. Using the Internet to offer these and other traditional print products, combined with the immediacy of a solid radio package, some small market operators are winning the war against their local competition.

Give them what they want: local content, deals and discounts.

For more than two years, surveys conducted by Arbitron and Edison Media have made it clear that listeners want localized information, discounts, coupons, and deals from their favorite radio station's Website.

By using the Internet to provide local business directories, local coupons, classifieds, personals and sponsored station/community content, many stations are increasing their spot package and annual contract rates 6%-20% across the board.

Coast Broadcasting's WCZT (www.987thecoast.com) and WWZK (www.94slamminggold.com) in Cape May Court House, NJ are prime examples of how this concept can work. Taking advantage of the fact that there is

Marketing

By Patric Miller

no centralized shopping mall in their area, they created the "Cape May County Mall." The mall is an online business directory, including a full-page web advertisement and printable online coupons for each client. Sold as a quarterly package, combining radio and the Internet presence, and featured on both stations they own in their market to exploit combined cume, the sales team saw immediate increases in revenue.

Says Program Director Scott Wahl, "we have seen increased revenues from the first month we launched the concept. Not only have we sold more business pages than we've ever imagined, but our clients are getting results and that's what it's all about. Now we can battle the newspapers who can provide pictures, graphics, and coupons. We're a major player, and stealing advertising dollars from print competition! Our advertisers are getting more value, we're getting more money, and our listeners love it. We are adding a restaurant guide this month that will open up a whole new area of clients and revenue."

Another example can be found in Elko, NV, at station KRJC (www.krjc.com). Facing the prospect of losing customers to a new operator offering deeply discounted rates, KRJC went on the offensive and ended up increasing their rates 6% across the board. KRJC Sales Manager **Darrell Calton** says, "We were looking at losing customers to a new competitor who was dropping their rates to \$5 a spot compared to our average of \$15. Our clients were asking why they should stay with us. Instead of dropping rates to compete, we decided instead to give them more value, and then ended up raising our rates 6%."

By giving all annual and package buy advertisers a listing in their business directory, then offering special rates for sponsorship of on-air/Internet news and features, KRJC was able to turn a negative sales situation into a 6% increase.

In Roseburg, OR, Brooke Communications used the same approach for their four stations (KRSB, KQEN, KKMIX, KAVJ) and introduced 20% increases across their rate cards, while increasing client retention.

By turning added value into added revenue, these stations have done something that any station can do, in any size market. They have defied national revenue trends by aggressively offering more to their clients and listeners, and then reaping the benefits in increased revenues.

Looking for increases in 2001? Target print and direct mail

When all of the print and direct mail competition is tallied together, including weeklies, specialty papers, and the host of coupon and classified publications and direct mail opportunities, the numbers are staggering. In the next year, radio is projected to hit approximately \$20B in revenue. While this is an increase, it pales in comparison to the total combined projected revenue of \$128B by newspaper and direct mail.

In article after article, media buyers and agencies are looking for ways to justify their radio buys. Satellite and voice tracked generic programming has done little to help the impression that radio fails to deliver a local message that is immediate and serves the needs of its clients and listeners.

The Internet, if used properly, can be a valuable tool in expanding the station's identity, listener interactivity and advertising effectiveness. As many of these small market operators have proven, the Internet's 24/7 presence delivers additional content and added advertising value at a cost that is incomparable to any other medium. Most important, it offers a way to justify increased pricing and opens new doors to "print friendly" client prospects.

Perhaps small market operators have been quicker to implement new concepts, due to the fact that they can make decisions quickly, without the need for a plethora of meetings and board approval. However, there is little doubt that large group owners and major market operators can learn something from these agile, aggressive small market managers. The message is clear; you don't have to be *Yahoo!* to compete on the web. You only need to give your customers and listeners what they are asking for.

Whether you are battling a long-standing local newspaper, or fighting to increase revenues to help bolster your bottom line and stock value, the results can be the same. A 15% increase has the same effect to the bottom line whether your spots rates are \$15 or \$150 for a sixty-second ad. By following the lead of its smallest markets and offering more value to its listeners and advertisers, radio as an industry can become "recession-proof."

Patric Miller is the President of Access Broadcasting Inc. (www.accessbroadcasting.com), a provider of Internet Solutions for Broadcasters. He can be reached at 541-431-0036 or at pmiller@accessbroadcasting.com

With AFTRA union demands for additional fees shutting down many radio streaming sites (see page 1), ad-insertion companies hope to be the white knights riding to the radio industry's rescue. The AFTRA mess all started 3/5 when the ANA and the AAAA came out with a statement asking agencies to cooperate with charging fees for streaming the union's work. Over the last two weeks, letters have gone out from agencies like Initiative Media to stations nationwide saying, "If you are streaming, and any of our commercials happen to be aired, you could be in danger of losing your terrestrial business without prior approval." The agencies and advertisers would be responsible for the fees.

LA, being very union-sensitive with so much creative there, was the first to blink. A big worry, like the recent RIAA fees being instituted for streaming, is that the whole issue could be retroactive.

"We issued a memo to all of the stations that unless they had our permission to stream any of our clients' commercials over the Internet, that they were to cease and desist. The issue, really, is between radio and TV stations and SAG (Screen Actors Guild) and AFTRA," Initiative Media's Media Director **Kathy Crawford** tells *RBR*. "This is not an issue that directly affects Initiative Media, except to say that if the stations refuse, we would have to change our buy. We are suggesting to clients that they look at their Internet rights issue and make that a part of their deal, if it makes sense for them, for the future."

Because most streaming radio stations can't just flick a switch and cut all or some commercials out of the stream, they are just cutting the stream until a fix can be instituted. "We have had many stations say they are not prepared to be able to block the commercials as of this date, but that they were working on it. My feeling is that we need to have a relationship with SAG and AFTRA that allows them to have that moratorium or that period of time to get this technology in their hands," says

Streaming

By Carl Marcucci

Crawford. "And I have made this suggestion to several stations and several heads of these groups because we don't want to change the buys or buy around them—it's not good for the client in the scheme of things. However, we also don't want to subject our clients to these charges. We are essentially reacting to a law at this point."

"This is a contractual obligation that was bargained fairly with the industry with advertisers and advertising agencies being represented and the union. This is a three-year deal and we will revisit this provision and others as we do traditionally every three years," AFTRA Asst. Executive Director **Mathis Dunn** tells *RBR*.

The fees SAG and AFTRA are asking for entirely depend on how often an advertiser changes their spot in a flight. Retailers are especially affected, says one agency buyer: "It is my understanding that non-celebrity costs per voice on each spot is about \$1K in radio. We have some clients that run three different ads per week, and multiply that by 52 weeks and you have \$156K. That's a problem. If it were one single ad over the life of the campaign, that would be different."

The end result, to continue streaming and not lose terrestrial buys, is to use ad replacement technologies to delete the ads. Dunn isn't worried that would affect agency business. "We are certainly not against new technology, and in fact, we embrace new technology and new streams, if you will, of revenues for advertisers. We are opposed to our members' services being utilized and not being compensated for. If advertisers decide that they no longer want their commercials streamed, that's a business decision that they have to make," he says. "I don't believe, however, that the overwhelming majority of advertisers—if they believe that streaming is a viable revenue stream

or valuable alternative to getting their message out to a different segment of the public, that they will see that this 300% fee is something that would prohibit that. To the extent [advertisers] find it cost-prohibitive, I think that they will rely on the traditional delivery of radio commercials to continue to bring in the kind of customers [they've] traditionally targeted."

The quick fix

With stations now cutting streaming all over the nation, streaming ad insertion/substitution providers are now being hailed as the solution for broadcasters. Turn your webcast signal over to them and the AFTRA ads are gone. Hopefully, stations may be also able to get some revenue share out of those replacement ads.

"The majority of our stations are Internet-onlys. So, naturally all of the ads that run on our stations are already set to run, as written into the contract. That being said, our technology trivially replaces on-air ads with targeted ads. We're happy to assist advertisers and stations," Lightningcast Chairman **Tom Des Jardins** tells *RBR*. "Lightningcast can put the ones you want on the webcast and replace the ones you don't."

"What's lurking behind this all is really the birth of a whole new industry—a kind of radio commercial that is made especially for Internet delivery," adds Lightningcast CEO **Karl Spangenberg**. "Obviously, any commercial that's prepared for Internet-only will have previously addressed these compensation concerns. But our real application is the targeted delivery of these ads."

"We're seeing a situation similar to the way cable TV was treated when it became a viable advertising medium," said **Warren Schlichting**, CEO of Hiwire. "In this case, because of the Internet, expectations have been compressed into a very short time frame."

Seattle-based StreamAudio confirmed 4/10 it has in place the technology to replace or black out AFTRA-recorded spots for its streaming radio clients. Cox Radio (N:CXR), a StreamAudio affiliate, says the AFTRA issue has not been a problem. "One of the reasons that we picked StreamAudio as our provider of this service was that there is a capability within their system to basically insert and de-insert, so we're in pretty good shape on most of our stations," said CEO **Bob Neil**. "There are a few of them that technically aren't capable of using that system, but they can be and they will be shortly."

Says VP Sales and Marketing **Tom O'Connor**: "We're telling the stations to send us promos and to find a half-dozen :30s and :60s that are locally produced—and we'll run them free of charge."

Thanks to the Coolink Broadcast Network (CLBN), Clear Channel's Dallas stations are still streaming (as of presstime!). "We have had KDMX-FM and KEGL-FM streaming and doing ad insertion for three-four months, and all of our advertisers are AFTRA-approved," says CLBN Business Development Manager **Dace Arnold**. "Today (4/11), the remaining Clear Channel stations will also be up in the Dallas market—Kiss-FM, KDGE and KZPS-FM." Other CLBN clients include Citadel, Beethoven.com and others.

OMT Technologies, partnered with broadcast software provider Media Touch, announced its own ad substitution solution to the AFTRA problem 4/10. "iMediaAdCast," features seamless content substitution, track titling data, and will offer simultaneous Internet stream encoding with both Real Networks and Windows Media technology.

The other major providers, SurferNetwork and RadioWave have also issued statements that their services can solve the AFTRA problem.

Would an HBC/SBS wedding leave any orphans?

If Hispanic Broadcasting Corp. (N:HSP) and Spanish Broadcasting System (O:SBSA) decide to get hitched as rumored, it would create an Hispanic powerhouse of unprecedented proportions. Both companies have built a presence in only the largest Hispanic markets, most of which are also among the largest markets ranked by general population.

The two companies have a common presence in the following markets:

	SBS AMS	SBS FMs	HBC AMs	HBC FMs	Total AMs	Total FMs
New York	0	2	1	1	1	3
Los Angeles	0	4	1	4	1	8
Chicago	0	1	2	1	2	2
San Francisco	0	1	0	2	0	3
Dallas	1	1	2	5	3	6
Miami	0	3	2	2	2	5
San Antonio	1	1	2	4	3	5

Only two markets will possibly require spin-offs. In Los Angeles the two companies are seemingly three FMs over the limit of five. However, one of them is locked in by some high hills in the somewhat distant outpost of Ontario, CA, and quite likely does not overlap some of the other FMs. And it may be moot—SBS is expected to spin one or

more small signals anyway to help pay for KFSG-FM. Without seeing an engineer's overlap study, we expect they'd be able to keep six FM signals here.

In Dallas, it is likely that one FM will have to be sold, although again, it is impossible to tell without seeing the engineering report.

Miami and San Antonio are both at the FM cap, and San Antonio would have a full complement of AMs as well. Miami is well within the definition of a top tier market. In San Antonio, a big AM is necessary, and SBS's KSAH, which overlaps nearly 60 stations from its roost in Universal City, TX, makes a top tier cluster possible.—DS

Media Markets & Money™

by Jack Messmer

Entercom sees lower revenues

Entercom Communications (N:ETM) has lowered its revenue projections for Q1 and Q2, but assured Wall Street that it will still meet its target of 33 cents for Q1 after-tax cash flow per share. Instead of \$73M in Q1 revenues, Entercom is now expecting to report \$70M—with \$23M in broadcast cash flow, rather than \$24.6M. For Q2, the company is now expecting revenues of \$97M, rather than \$103M, with BCF of \$41M, rather than \$44.5M. ATCF per share is expected to be 57 cents, rather than the originally forecast 59 cents (*RBR* 2/12, p. 12).

For all of 2001, Entercom is expecting revenues of \$363M, rather than \$378.7M, and BCF of \$151M, rather than \$160.2M. The company has lowered its ATCF per share target by a nickel to \$2.10.

In a conference call with Wall Street analysts, Entercom President & COO **David Field** called the current economic downturn a "speed-bump" which radio will get over. When asked by one analyst whether he'd seen other groups cutting rates to gain market share, Field said Entercom had observed some modest rate cutting in its markets, but that the company was now seeing some tightening of inventory in Q2.

Reduced guidance "not a surprise"

That's the assessment from Salomon Smith Barney analyst **Niraj Gupta**, after seeing Entercom (N:ETM) join Emmis (O:EMMS) in reducing expectations in their financial guidance to Wall Street. Gupta says he expects to see "well clustered operators taking share in [a] weak market"—citing Entercom, Clear Channel (N:CCU),

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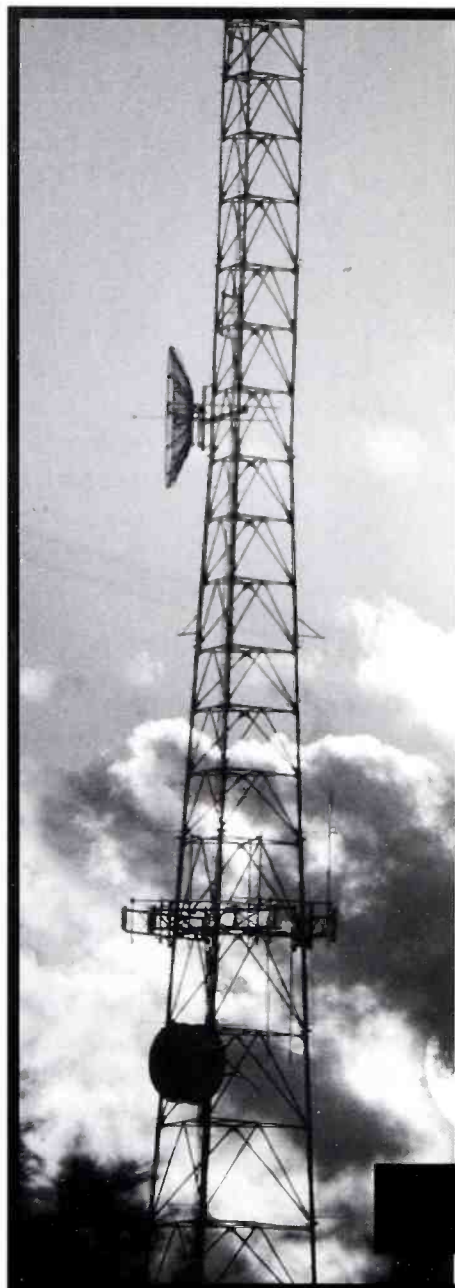
George Reed, Mitt Younts, Bob Maccini, Greg Merrill, Bill Lytle, Bill Whitley, Tom McKinley, Austin Walsh, Scott Knoblauch, Stephan Sloan, Ted Clark and Eddie Esserman

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Viacom's (N:VIA) Infinity and Cox Radio (N:CXR) as the likely winners in battling for market share. His top recommendations in the broadcasting and related outdoor sectors are Clear Channel and Lamar Advertising (O:LAMR), which he says offer the best risk/reward ratio.

Badger bags Roberts group

Badger Communications is expanding from one market to three with a \$3M stock buyout of **Don Roberts'** Roberts Broadcasting. Badger, headed by **David Winters**, currently has a five-station superduopoly straddling the state line between Wisconsin and Michigan's Upper Peninsula—WAGN-AM & WHYB-FM Menominee, MI, WMAM-AM & WLST-FM Marinette, WI and WSFQ-FM Peshtigo, WI. This deal will add Roberts' two long-held combos—WJMT-AM & WMZK-FM Merrill, WI (in the Wausau market) and WJMS-AM & WIMI-FM Ironwood, MI (also on the Wisconsin border, but almost all the way to Lake Superior).

K-Love grows along VA-NC border

Apparently taking literally the slogan "Virginia is for lovers," Educational Media Foundation is adding a Danville, VA signal to its K-Love Contemporary Christian network. The non-profit foundation is paying Southern Entertainment Corp. \$3.5M for WKVE-FM. The station, on a commercial allocation of 106.7 MHz, is licensed to Semora, NC, just across the state line from Danville, VA. Once the station completes a pending upgrade from Class A to C2, it should put a signal into significant parts of the Greensboro-Winston Salem-High Point and Raleigh-Durham markets.

Anna joins Withers group

No that's not a station nickname, like "Alice," but rather a city of license—Anna, IL. Withers Broadcasting, headed by **Russell Withers Jr.**, is adding WKIB-FM to its Marion-Carbondale, IL market combo for \$2M. The seller is **Ben Stratemeyer's** Union Broadcasting.

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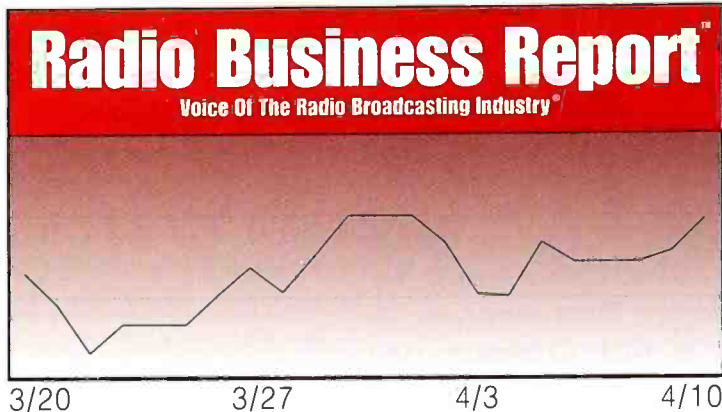
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The Radio Index™

Radio stocks joined Wall Street's Tuesday rally. The Radio Index™ gained 8.273 for the week to close 4/10 at 159.730.

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Time to use the "R" word

Welcome to the **Greenspan** Recession. As we warned last year, "Crazy **AI**" and his merry band of ivory tower bureaucrats at the Federal Reserve were raising interest rates at a time when the US economy was stagnant. Predictably, the interest rate hikes did nothing to lower foreign oil prices—the driving factor behind rising energy prices, which was the only part of the economy actually exhibiting any inflation—but, combined with the inevitable collapse of the inflated technology and (grossly inflated) dot-com sectors, managed to do lots of damage to the already softening US economy. What surprises us now is that Congress isn't demanding Greenspan's head on a platter.

For the broadcasting industry—and all advertising-supported industries—the economic downturn has meant a sharp pullback in spending by big advertisers. That's been somewhat mitigated, particularly for radio, by the relative strength of local ad spending. This recession is so far being felt more on Wall Street than Main Street—unless your Main Street happens to run through the Silicon Valley.

Radio stocks took such a beating last year, as investors fled the sectors seen as leading indicators of an economic downturn, that most posted stock price gains for Q1 of 2001. None, though, are anywhere near their all-time highs, which were mostly reached in Q1 of 2000.

Larry Wilson figured out

how to boost his company's stock price in hard times—get out of the stock market. Citadel Communications (O:CITC) will vote later this month on a \$2B buyout offer from Forstmann Little. With that \$26 per share offer on the table (and all but certain to win approval), Citadel's stock rose 107% in Q1 to close out March at \$24.875.

Other big gainers in Q1 were generally the radio stocks which had been the biggest losers last year. Big City Radio (A:YFM), NBG Radio Networks (O:NSBD), Radio One (O:ROIA & ROIK), Cumulus Media (O:CMLS) and Spanish Broadcasting System (O:SBGA) all lost more than half of their value in 2000 (in Cumulus' case, nearly 93%). Beasley Broadcast Group (O:BBGI) and Westwood One (N:WON) weren't far behind, with 2000 stock price losses of 46% and 49%, respectively.

Of companies which actually own radio stations, the worst performer for Q1 was Entravision (N:EVC), which recently lowered its financial estimates for this year (*RBR* 3/26, p. 12).

Are stocks cheap now? That depends on whether the US economy has bottomed out and is ready to rebuild, or just marking time before resuming its slide. If you can predict which is the case, you should do very at the tables next week at NAB2001 in Las Vegas.

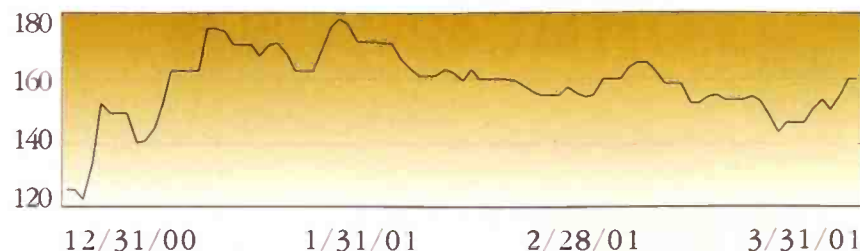
Quarterly Stocks

By Jack Messmer

Year-to-date stock performance

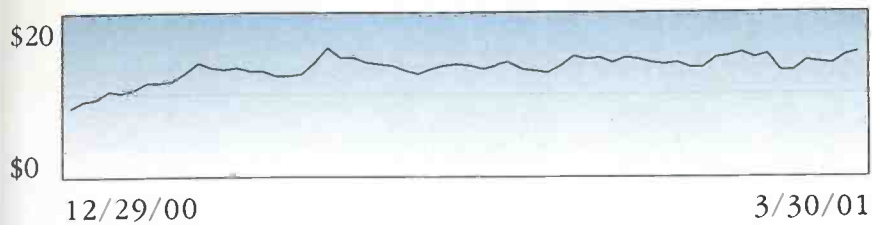
Company	3/30/01 Close	YTD Net Chg	YTD Pct Chg
Citadel	24.875	12.875	107.29%
Big City Radio	4.000	1.813	82.86%
Beasley	15.000	6.688	80.45%
NBG Radio Nets	1.938	0.813	72.27%
Radio One, Cl. A	17.563	6.876	64.33%
Cumulus	5.781	2.156	59.48%
TM Century	0.750	0.250	50.00%
Radio One, Cl. D	15.375	4.375	39.77%
Ackerley	12.050	3.050	33.89%
Spanish Bcg.	6.500	1.500	30.00%
Gaylord	26.600	5.725	27.43%
Westwood One	23.020	3.708	19.20%
Interep	4.125	0.625	17.86%
Regent	6.969	1.032	17.37%
Launch Media	1.813	0.251	16.03%
Entercom	39.300	4.863	14.12%
Clear Channel	54.450	6.013	12.41%
Saga Commun.	16.500	1.625	10.92%
Salem Comm.	16.250	1.313	8.79%
Radio Unica	4.063	0.313	8.35%
Belo Corp.	16.470	0.470	2.94%
New York Times	40.970	0.907	2.27%
Hearst-Argyle	20.600	0.163	0.80%
Disney	28.600	-0.337	-1.17%
Pinnacle Hldgs.	8.844	-0.219	-2.41%
Tribune	40.740	-1.510	-3.57%
Viacom, Cl. A	44.500	-2.500	-5.32%
Fisher	51.750	-3.250	-5.91%
Viacom, Cl. B	43.970	-2.780	-5.95%
Cox Radio	21.010	-1.553	-6.88%
Ceridian	18.500	-1.438	-7.21%
Jeff-Pilot	67.890	-6.860	-9.18%
Gentner	10.500	-1.250	-10.64%
Emmis	25.313	-3.375	-11.76%
RealNetworks	7.063	-1.625	-18.70%
Harris Corp.	24.750	-5.875	-19.18%
PopMail.com	0.150	-0.038	-20.00%
Adelphia	40.500	-11.125	-21.55%
Hispanic Bcg.	19.100	-6.400	-25.10%
Harman Intl.	25.590	-10.910	-29.89%
Cir.Rsch.Labs	3.563	-1.563	-30.49%
SportsLine USA	3.688	-1.625	-30.58%
WarpRadio.com	0.375	-0.250	-40.00%
Crown Castle	14.813	-12.250	-45.26%
DG Systems	1.156	-0.969	-45.60%
Entravision	9.900	-8.475	-46.12%
Global Media	0.031	-0.032	-50.40%
Am. Tower	18.500	-19.375	-51.16%
XM Sat. Radio	6.938	-9.125	-56.81%
Sirius Sat. Radio	12.438	-17.500	-58.45%
SpectraSite	4.313	-8.937	-67.45%
Triangle	0.005	-0.012	-70.59%
WinStar Comm.	2.156	-9.532	-81.55%
Major stock market indices			
The Radio Index	160.103	34.743	27.71%
Dow Industrials	9878.779	-908.071	-8.42%
Nasdaq comp.	1840.220	-630.300	-25.51%
S&P 500	1160.330	-159.950	-12.11%

The Radio Index, Q1 2001

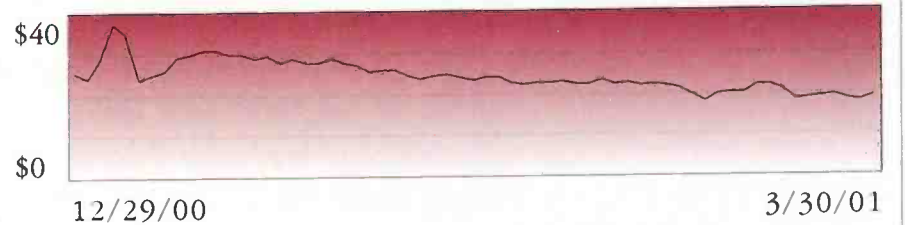


Radio Index™ Components

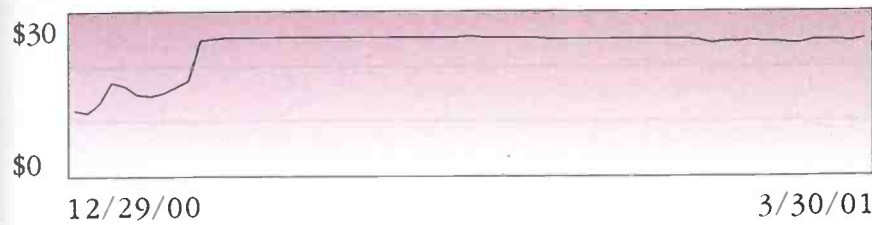
Beasley Broadcast Group (O:BBGI)



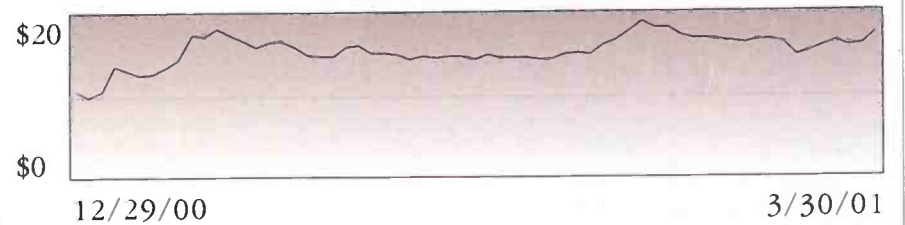
Hispanic Broadcasting (N:HSP)



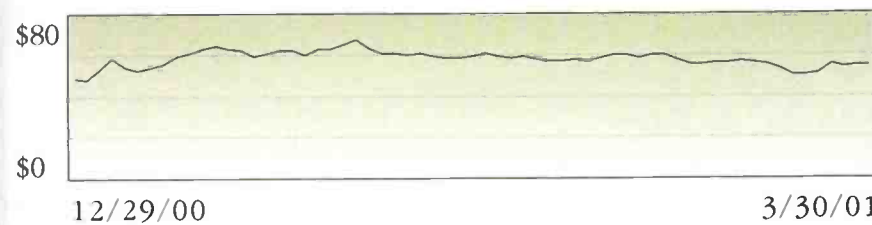
Citadel Communications (O:CITC)



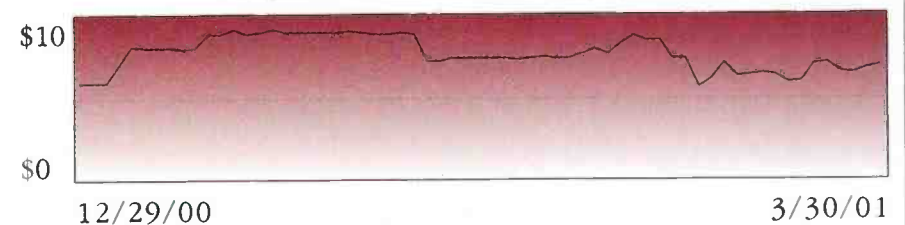
Radio One (O:ROIA)



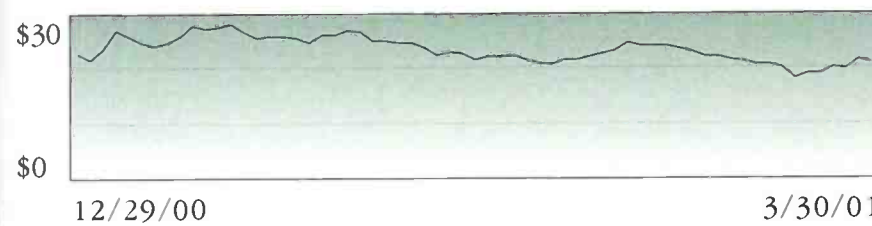
Clear Channel (N:CCU)



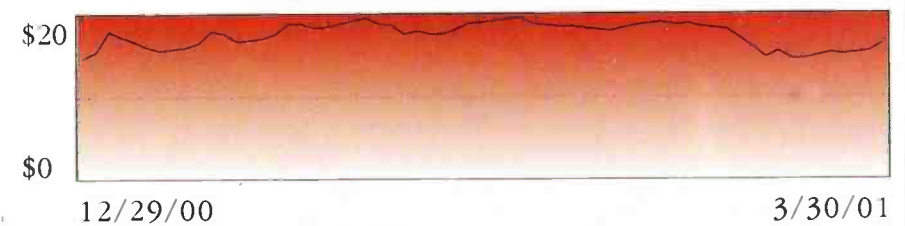
Regent Communications (O:RGCI)



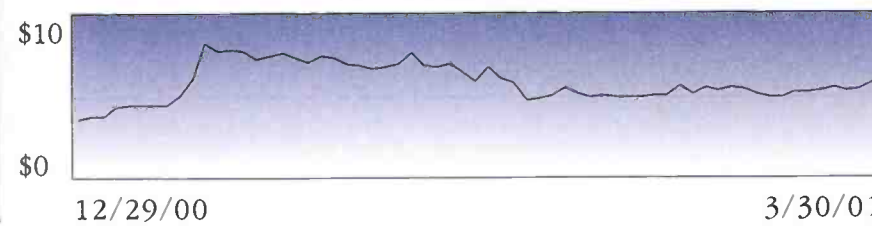
Cox Radio (N:CXR)



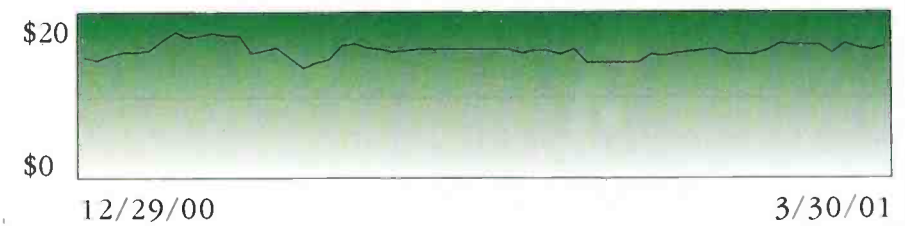
Saga Communications (A:SGA)



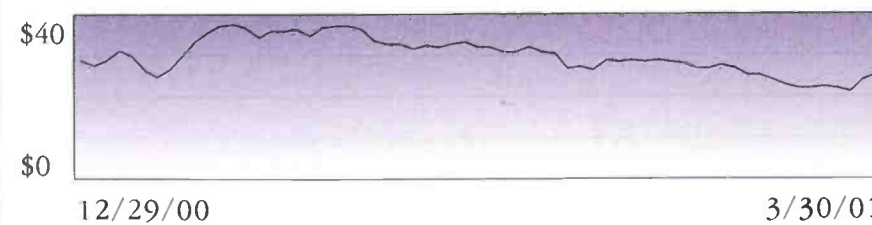
Cumulus Media (O:CMLS)



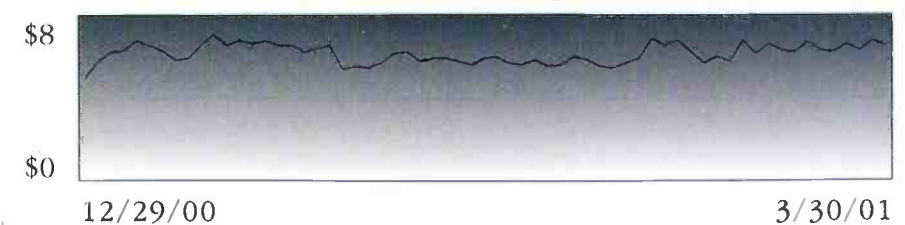
Salem Communications (O:SALM)



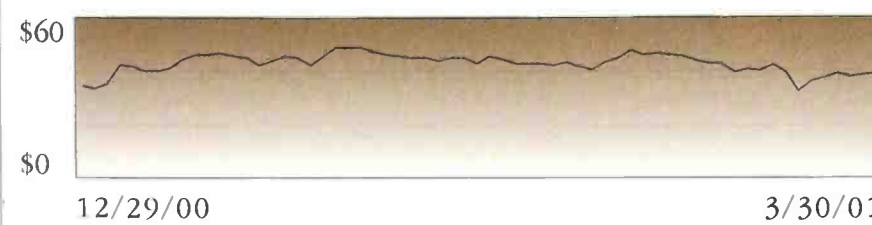
Emmis Communications (O:EMMS)



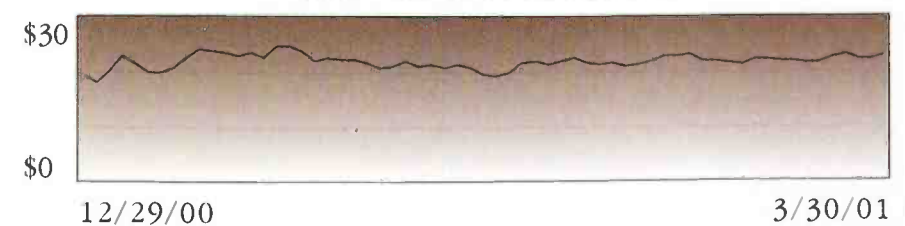
Spanish Broadcasting System (O:SBSA)



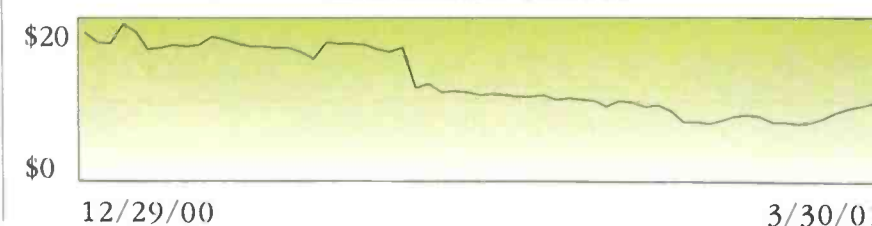
Entercom Communications (N:ETM)



Westwood One (N:WON)



Entravision (N:EVC)



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