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Entercom fires back at Spitzer

After becoming the first radio company sued by New York Attorney General (and candidate for Governor) **Eliot Spitzer** for what he calls "corporate payola," Entercom Communications has gone on the offensive and asked a New York court to throw the whole case out. Entercom argued that Spitzer hasn't alleged anything that's actually illegal. Under the state business law cited in the lawsuit, Entercom's attorneys say, the New York must prove that consumers were harmed by deception. But since nobody has to pay for radio (at least not terrestrial radio), Entercom says there can be no harm. Then Entercom's motion to dismiss goes on to argue that Spitzer has no jurisdiction. Under New York law, it says, compliance with federal law is a "complete defense" against the state's consumer protection statues. Entercom says it fully complied with federal law in disclosing when record airplay was paid for.

RBR observation: At last, someone fighting back at this self-styled national cop who's making the rules up as he goes. Spitzer's interpretations of the federal payola law and the FCC's sponsorship identification rule are just plain wrong—not to mention that he has no authority to enforce them in the first place. It's high time he was taken down a few notches.

New inroad to getting Wal-Mart business?

We remember radio companies in days of yore despairing of ever weaning retail giant Wal-Mart off of its marketing dependence on television. As it turns out, where radio sales departments failed, civic activists seem to have succeeded. Their full-bore assaults on Wal-Mart's employment and procurement practices have spawned a flurry of countering corporate image advertising, of which radio has been a major component.

Now comes word that it may go so far as to assist some of the small businesses it has long been accused of hurting. According to the Associated Press, Wal-Mart is looking to ease its way into "blighted urban markets" by helping small business, in part by providing free advertising. Unfortunately, the free advertising will likely be aired on the company's in-store sound system.

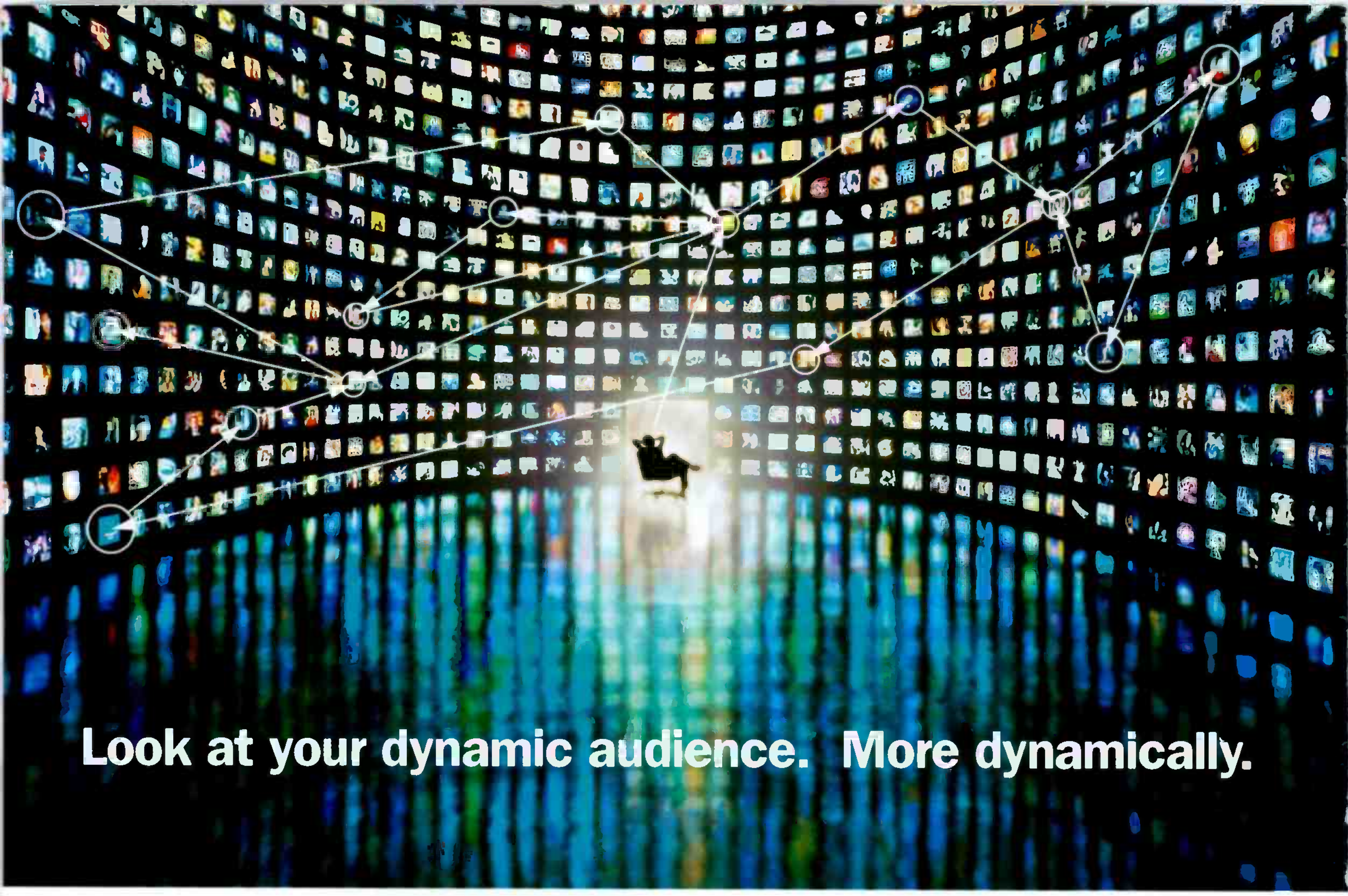
However, a good neighbor policy isn't much use if nobody knows about it, so perhaps these new outlets can be persuaded to get on your station to let everyone know just how well they are working and playing with their new retail neighbors.

Interep rejects buyout bid

Saying it was frustrated by months of negotiations, Oaktree Capital Management, Interep's largest bondholder, went public with a $14.3 million bid to buy the rep firm and take it private at $1.10 per share. But that bid, while far above where the company's stock had been trading on the pink sheets, was not accepted. "There's more to a contract than the price," Interep CEO **Ralph Guild** said when RBR/TVBR asked why the Interep board had backed away after signing the letter of intent for Oaktree's bid of $1.10 per share. "And there are other conditions that they are demanding that we're not willing to meet," Guild continued.

While it can put public pressure on Interep's board, it doesn't appear there's much else Oaktree can do. Guild notes that Interep's $100 million in bonds have been out for more than seven years and the company has never missed a payment—and that Interep will have no problem making the twice annual payments of five million bucks to Oaktree and other bondholders. "We have more than enough money to do that," Guild noted.

RBR observation: Things have been improving (other than its stock price) for Interep since Oaktree first went public a year ago with its call for Guild's ouster and a restructuring. Business has improved in the radio rep business and Interep has made its first foray into TV representation with Azteca America Spot Television Sales. But balance sheet issues remain. Guild is still in talks with various parties to get an injection of capital for the company. Interep sold its IPO at 12 bucks a share in December 1999 and the stock traded for a while above 13, but it long ago dropped into penny stock territory.



Since the birth of remote control, television viewers have become television switchers. What MAKES them switch bewilders GMs, network and studio executives, news directors, promo managers, programming heads, researchers and virtually everyone in broadcast. Nielsen Media Research now has an exciting new product concept that marries minute-by-minute audience ratings and audience flow information with actual program content, taking the guesswork out of viewing and programming!

Introducing grabix – a web-based, multi-faceted system that plays video content...captures it...stores it...archives it...searches it...then plays it back with related ratings data...on your PC screen. And does this simultaneously for multiple stations, for locally originated shows as well as network and syndication, across any of the top thirty markets. Find out much more about this exciting new switch-buster by contacting your Nielsen representative.

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TELEVISION NEWS

Networks challenge FCC on indecency

The FCC is finally going to have to defend its indecency standard in court. ABC, CBS, Fox, NBC, Hearst-Argyle and the various network affiliate associations have filed a slew of appeals in federal courts all over the country challenging several of the indecency rulings the FCC issued in March. "In filing these court appeals we are seeking to overturn the FCC decisions that the broadcast of fleeting, isolated—and in some cases unintentional—words rendered these programs indecent," the networks and their affiliates said in a joint statement. No fines were issued in the cases being appealed because they occurred before the FCC changed its policy in 2004 and decided that the fleeting use of indecent language was actionable. For example, a "Survivor" contestant used a variant of the s-word while appearing on CBS' "The Early Show." Two similar incidents occurred during Fox's broadcasts of the "Billboard Music Awards."

TVBR observation: It has been nearly three decades since the US federal courts have ruled in a broadcast indecency case and there can be no doubt that the FCC's standards for what is or is not indecent has been all over the road during that time. In recent years, the trend has been toward an ever more schoolmarmish approach, banning programming that wouldn't have gotten any notice a decade ago. But even the ultra-strict standard has been unclear and inconsistent. Why, even Commissioner **Jonathan Adelstein** noted that the last batch of indecency rulings issued on a single day weren't even consistent with each other. How on earth are broadcasters supposed to know what the rules are when the FCC itself doesn't?

Fox affiliates get VOD revenue sharing

Fox may have lagged behind other networks in offering video-on-demand via the Internet for iPods and such, but that's changing big time. The network cut a new deal with its affiliates to share revenues from VOD. The new web deal is part of a six-year extension of Fox's NFL cost-sharing agreement.

TVBR observation: Sure, other nets have already been distributing programs on the web, but ABC, CBS and NBC are having some disagreements with affiliates over making material available online that's also broadcast on affiliate stations, while the networks keep all of the new cash. Fox is likely to have its online offerings promoted by affiliates, since they'll be getting a cut of the revenues.

VNU buyout in trouble

Come May 5th we'll know whether or not shareholders of VNU have accepted a $9 billion buyout by a consortium of private equity firms. There's a good chance that the tender offer will fail to win the required 95% acceptance. What then? CEO **Rob van den Bergh** is already heading out the door after dissident shareholders torpedoed his attempt to merge the company with IMS Health. Now other members of the Executive and Supervisory Boards are threatening to resign if the buyout is rejected. Knight Vinke Asset Management, which led the fight against the IMS merger, is also the most public opponent of the buyout. It has proposed bringing in a new CEO and reorganizing, with a view to selling off some assets. VNU's most profitable business is its TV ratings company, Nielsen Media Research, while various scenarios have suggested selling off its consumer data operations, anchored by ACNielsen, or its publications and trade show division, which includes such titles as Billboard, Adweek and The Hollywood Reporter.

Video games go from feuder to fodder

It just had to happen. Competitive events are shown with varying degrees of success on television. The medium has mastered the wide scope of baseball, the elongated spread of football, the fast pace of basketball, the slow pace of golf. But what could be more natural for television than a game that is actually played on a television screen? USA Network is getting set to kick off a new show in which top professional video gamers from Major League Gaming will compete with one another on TV. It'll be produced as an extreme sport, complete with game action, player profiles and the equivalent of play-by-play commentary.

TVBR observation: Television often loses the a significant portion of the young male demo to video games. Here's one sure-fire way to get them to put down the controller and pick up the remote, if only for an hour. Gaming companies and any company looking to get a piece of this difficult-to-find demo should flock to this kind of programming.

GM TALKBACK

By Carl Marcucci/cmarcucci@rbr.com

What are you doing to bring revenues from non-broadcast use of your content?

Ric Harris, NBC Universal Television Stations EVP/GM of Digital Media and Strategic Marketing: The NBC television station division prides itself on creating and producing original programming for today's digital platforms, be it on the web or any wireless device. We know that advertisers like content...original online content, to be specific, and the more video-centric, the better. From breaking news, to WeatherPlus weather updates, to original online content like The Download and Fantasy Sports, NBC's stations group provides consumers with the news, entertainment, and information that they want 24/7 and offers advertisers the additional platforms they're looking for to extend their brand in this new digital world.

Christine DiStadio, New York Times Broadcast Group SVP Marketing and New Media: Example 1: Tie to Local Events and Develop Innovative Integrated Plans Across Multiple Platforms to Engage the Consumer. During March, the University of Memphis Tigers (Men's Basketball team) made it to the Elite 8 of the NCAA tournament as a number one seed. WREG-TV predicted the Tigers would make the Tournament but did not know how far they would go. A fully integrated station plan was developed and executed by the News and Sales Departments with elements across broadcast, internet and wireless. The Tigers are coached by John Calipari, so the station created a streaming video 'Cal-Zone' which featured un-aired post-game interviews, coach interviews and other game highlights not in the sports telecast. The station was successful in selling the entire integrated multiplatform solution to an auto manufacturer.

Example 2: Create Brand Extensions on Alternative Media Utilizing Current Station Assets. Currently, one television station produces a local weekly program geared toward the outdoor sports enthusiast. Recently, a local Ford dealer approached the station and requested a creative idea to position the dealership as an 'outdoor authority on trucks.' The station quickly developed an integrated marketing plan across broadcast, internet and wireless—including hunting and fishing tips available on any wireless device. A locally branded television campaign brands the dealership as the authority on outdoor trucks and also ties to an online component.

Example 3: Develop Podcasting Opportunities by Creating Original Content or by Aggregating Relevant Content from Others. In one of our markets, the television station is developing a special feature by aggregating audio church services - podcasting - under one common marketing umbrella branded as 'Sound Words.' Using portable MP3 players, users can time-shift these audio broadcasts if they are not able to make it to the morning service. Users subscribe to this audio program through the station website to download podcasts to an MP3 player. The marketing program will be fully integrated with a television campaign of web drivers, online and iPod components.

Example 4: Distribute Your Content Assets and Bulletin Boards on Alternative Devices and Offer Hyper-Local Sponsorship Opportunities. At WNEP-TV, the station is distributing traffic alerts, school closing information, local weather and a public service bulletin board via wireless devices and ipods. The station is currently developing multi-platform hyper-local packages with county-specific sponsorship opportunities.

Joe Fiveash, SVP/GM, The Weather Channel Interactive: We have an entire business unit, The Weather Channel Interactive (TWCI), dedicated to the non broadcast use of our content. TWCI is the leading provider of broadband and wireless weather products including weather.com, The Weather Channel Desktop and The Weather Channel Mobile.

Weather.com features regularly updated video content, including features from The Weather Channel Network as well as content expressly developed for the Web. We employ the latest technology both in delivering content to users and presenting our advertisers' messages. An example of this is our "ad-dapter" ads, which allow ad copy to be customized based on the local weather conditions reported on the page.

One of the fastest growing non-broadcast areas of our business is The Weather Channel Mobile, which offers a full lineup of mobile services including downloads, mobile Web, and mobile video, available to customers of all the major US wireless carriers. Our mobile Web site, available through all major carrier Web decks, or simply by typing weather.com in any phone browser, is our latest advertising platform, providing an unobtrusive yet fully interactive ad experience that enables a direct connection between customers and advertisers with a "click to call" button embedded in the mobile ad.

TWCI also provides consumers with unique products such as The Weather Channel Desktop, an ad supported Web application which provides users with one-click access to weather conditions and forecasts and 13 different daily podcasts.

Ann Marie Young, LIN Television Director of National Sales Our station group WOOD TV8, WOTV and WXSP TV in West Michigan continues to create marketing solutions for our clients through Broadcast/Convergence programs. Our Findyourcard@woodtv.com search project and Ask the Expert Category Specialist partnership has yielded over $1,500,000 Broadcast and Web revenues to date. In addition, we customize packages that include email alerts, school closings, streaming video and other search products in categories of business that are not traditional television advertisers.

By Carl Marcucci/cmarcucci@rbr.com

Upfront evolution:
Buyers and sellers on the 2006-2007 television upfront

As predicted in last year's upfront feature, it looks like this upfront is going to be noticeably affected by new media. PVR penetration is more of an issue as well, as it relates to the Nielsen Live + 7 Days ratings controversy. But we've got even more this time around to deal with, such as the demise of UPN and The WB for a newer, and hopefully stronger network in The CW. My Network TV is also hoping to make a splash. Another major issue is commercial ratings. More and more agencies are subscribing and will be taking them to the table this upfront.

But for now, how are buyers and sellers describing this year's marketplace so far? "Overall it's been somewhat a mirror of last year," says **Andy Donchin**, Carat Americas Director of Broadcast Buying. "A little less money spent in the upfront market but a little more money spent in scatter. There has been some scatter activity, not robust, but there has been money coming down. It's been very methodical, business as usual."


Liz Janneman

Liz Janneman, SVP/Cable Ad Sales, The Weather Channel, says for her, this year's marketplace appears to be slightly more active, confident and somewhat faster paced when compared to a year ago. She concurs, scatter is active: "Fewer upfront cancellations have been exercised, and there was a flurry of scatter activity several weeks prior to start of the quarter and scatter trading at above upfront rates."

"The ad market has been steady. While most are working on shorter deadlines, overall business has been healthy," observed **Bill Morningstar**, EVP, Sales, The CW. "The stock market is at a four year high and forecast moving forward is for growth of 4 to 6%."


Bill Cella

As far as some specific category activity so far, auto category is still anyone's guess. Said one seller off the record: "The car companies—you don't know if they're going to spend their way out of this slump or if they're going to have to pull back because of the business they're in. So that's a wild card. However, telecom seems to be really exploding right now."

While the cover headline humorously reads, "Who will get hustled this year?," the reality is the upfronts are seeing less and less of that mentality each year. "The overriding thing is a continued effort to support or account for whatever you're buying—be it radio, be it television; a heightened awareness of the accountability of any of the media that you're involved in," Donchin adds. "So it's methodical and maybe more analytical but the clients are asking for a heightened accountability or rationale for whatever media we are in. I firmly believe there could be the same or a little bit less money written in this coming upfront, but the posturing pretty much is moving from throwing out numbers of what the marketplace is going to be, to talking to us about how we can become better partners, which is a very good sign."

Charlie Rutman, MPG CEO, says this year's marketplace so far has been manageable. "Over the years a lot of marketplace forces are at work where we've kind of reached a level of equilibrium. Instead of upfront buying being thought of as an Olympic sport I think it's now thought of as a business practice. I think the emotion is kind of gone. You'll still get some posturing in this and that, but I would call it manageable."

Bill Cella, Magna Global Chairman and CEO, says what happened last year was kind of a surprise to a lot of people—the budgets were flat to down. As well, "We're looking at them right now to be pretty much down. This isn't salesmanship. This is reality and what's happening is money seems to be shifting to new media—online is definitely happening, and original programming. Last year was the first year that really the online space got robust with money shifting from traditional media to online media and it seems like it's gaining momentum."

Joe Uva, OMD Worldwide CEO concurs, "So far, there is a sense that there will not be enough money for everyone to grow share."

Jon Mandel, Chairman/MediaCom US and Chief Global Buying Officer MediaCom Worldwide, also has that sense: "I don't see anybody rushing out to get sunglasses to protect themselves from a blaze of activity. They'll be lucky if the market is flat—no increase on the dollars. I think the television industry in general has to figure out how to get their mojo back—I just hope they don't turn into radio."

Michael Teicher, Warner Bros. Domestic TV Distribution EVP/Media Sales, says while it's still too early to call the market, "I think we will see a continuation and possible acceleration of clients consolidating money with their preferred content partners. That is, those with programming that aligns with brand goals, delivers meaningful ratings, houses the right environment and is priced appropriately."

Live + 7 and commercial ratings

What about the Nielsen commercial/minute-by-minute, Live + Same Day and Live + 7 Days ratings controversies? Where do buyers and sellers stand? Will this be an issue for the upfront? "Obviously it will be talked about as we negotiate the '06/'07 upfront," says Donchin. "But I think the bottom line is that from the advertising agency and the client point of view, we do see the people who are watching TV on a time shifted basis being of somewhat less value than the ones who are watching it live."

Jo Ann Ross, President, Sales for CBS Television Network, tells us Plus viewing will be part of her negotiations. So like her peer **Mike Shaw** at ABC, the networks do place value on time-shifted viewing and expect to include it in negotiations.

How will PVR penetration affect pricing this upfront? "It's too soon for time shifting technologies to have a sizable impact because the penetration is still low," explains Ross. "That said, Nielsen now includes DVR households in its sample, and the early returns underscore what our internal research shows: DVR owners watch more TV, and the shows they watch tend to be the most popular programs on TV. This is good news for CBS."


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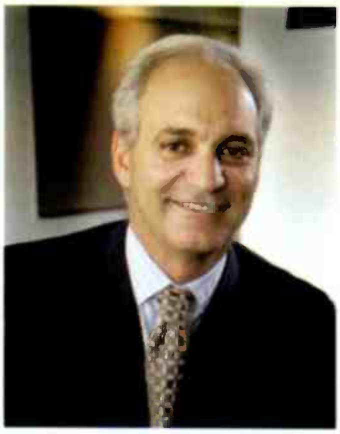
Added **Keith Turner**, President/NBC Universal Ad Sales: "For Live + 7, our position has been we need to get paid for as much audience as we possibly have, and we can't afford to be giving up anything in that regard. So our position has been that we're looking to get posted on Live + 7, which is the total audience."

The issue of measuring viewership beyond the live airing is completely irrelevant to some flighted campaigns. If a sale happens for two days and the DVR viewer sees it four days later, why should that viewing of that spot count? For other branding-type of spots, it's fine, as long as it wasn't skipped. How are these factors negotiated, we asked Turner: "All of this is going to be in negotiation. Our position has been to use Live + 7. I believe ABC has taken a similar stance. I know for the agencies, it's not in their best interest, obviously, because they feel are going to have to pay more. So this will be a continuing discussion as we get more information, because the fact of the matter is we just don't know enough right now. We have not had a big enough sample or have run it long enough to really make the judgment on what the right number is."



Charlie Rutman

Uva agrees, the sample isn't there yet: "We are currently working with Live Only ratings and will continue to analyze the data that's available to us to make a sound decision. But the sample may not be viable until then end of the year. Vendors will try to make it an issue, particularly the ones with the most to lose."

Jo Ann Ross

Said Morningstar: "As a network, we only want to get paid for the viewers we deliver...nothing more and nothing less. We will continue to monitor all three streams of data; however, right now the Nielsen sample is so small that it is difficult to make any firm conclusions. So we will work with our advertising partners to come up with a fair solution."

What about commercial ratings? Will buyers expect it to be a part of their negotiations? [Also see our Research item on all of this—page 18.] "As we move forward we're always looking for a heightened level of accountability and if this helps us get it through, yes obviously we're going to be very much in that space," said Donchin. "We get minute by minute. We're going to bring it with us in negotiations. We've actually done some guarantees with the cable networks about using minute-by-minute ratings. Obviously the more precise we could know what our commercial is doing—who's really watching—the better."

Jean Pool, EVP/Director of North American Operations Universal McCann [she recently announced her retirement from the post], Chairman of Media Policy at the AAAAs, issued a challenge at her keynote speech during the AAAAs conference in Orlando two months ago—for networks to embrace and use minute-by-minute/commercial ratings. "It makes sense that the buyer and seller are working from the same database. For one to have more information than the other is not an appropriate environment to negotiate. And secondly, for their own benefit the clients need to know what their commercials get by way of an audience. If they're not doing that and the clients are saying, 'Fine, I'll find another way,' they're only hurting their own industry by being secretive."

Janneman says The Weather Channel is was the first to come out and say they're going to use Live/Plus and commercial ratings in negotiations: "My pre-upfront conversations with buyers of broadcast, cable and syndication all centered around: 1. Minute by minute vs. program viewership. We've seen virtually no ratings decline from program to commercial break. And 2. Clutter. The Weather Channel has the shortest pods in the business, 90 seconds on average vs. 3-4 minutes per commercial break for most other networks."

Will the process evolve to other networks? "Sure, so [What TWC did] starts to crack the way the networks are distributed—in other words what people view them for. There's also discussion out there that it's now going to be used to gain market share—if I give you Live ratings you will give me a bigger percentage of budget? There are a lot of different things circulating around this issue," admits **Harry Keeshan**, EVP/National Broadcast for PHD. "Commercial ratings will give us a more accurate read on our messaging and that will be a change for the better."

The effect of new media

Consumer acceptance of emerging technologies and their impact of media consumption—video I-pods, mobile video—are driving most networks to move content over. The advent of broadband has driven internet usage up often to the detriment of other mediums. As Wi-Fi takes hold, this will only increase. How do viewing and media consumption habits affect the traditional television upfront and what are buyers and sellers doing about it? Many networks are now taking advantage of the trend.

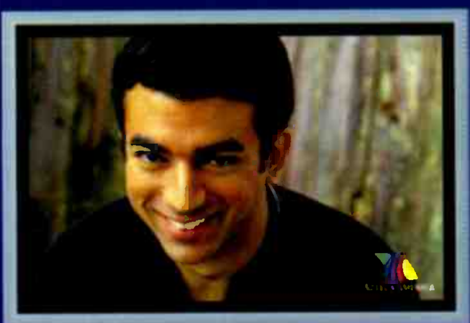
Uva thinks this year the industry will see some funds shifting to other viable options, but if the upfront is friendly in terms of costs, then the traditional vehicles will fare better. In addition, "While moving into emerging technologies is going to occur, the reality is, there are still a limited amount of viable/appropriate vehicles."

Attests **Gene DeWitt**, DeWitt Media Options President: "Sellers right now are nervous, buyers are cocky. Cable has the most reason to be nervous as ratings have plateaued, are inconsistent and cable is no longer the 'new' guy—Internet is."

"I think little by little, slowly, money will migrate from national traditional media to these digital platforms, observes Donchin. "I don't think it's going to affect the upfront all that greatly. A lot of clients are just getting into that space and trying to learn from it as they dabble in it. I think the bigger effect it will have is we'll be looking beyond just buying TV spots—we'll be looking to all video screens. The broadcast groups are not just doing television upfronts but electronic upfronts/video upfronts and doing deals across the TV screens, across I-pods and Internet and streaming video and everything else. The posturing is 'How can we become better partners?' And what we're giving back to them is, 'Come to us with a multi-platform pitch.' And they're doing that. So I think we're still going to spend a lot of money in television but we're going to be doing more multi-platform deals."

Ross told us there certainly is a growing appetite by consumers to get CBS programming on digital platforms. "We have been aggressive in making some of our most popular programs available on these platforms. We are hearing from clients who are interested in doing buys across various platforms. We are equipped to offer these clients comprehensive digital packages on multiple platforms. We will deliver whatever combination of platforms are necessary to meet their marketing needs."

Janneman says TWC is well into the space, as well, for clients, "Consumer acceptance of emerging technologies is an opportunity for The Weather Channel. As a trustworthy source of content, our weather data is currently being distributed on multi-platforms, from cable to online, and includes mobile, podcasting, broadband, and desktop applications."



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"I think it means a little bit more in terms of strategy planning then it does in terms of buying, but what's really happened is we're looking at the media in terms of consumer usage and the content that they follow, as opposed to the platform that it's presented in," explains Rutman. "It's an undeniable fact that consumers are adopting these technologies faster than ever before. That's the reason that you're seeing CBS streaming NCAAs over the Internet and making arrangements with Verizon and Apple and everybody else. I don't see an overnight migration of money but I do see a steady stream and influx of money into these, new more emerging platforms because that's what consumers are using. By the way, I wouldn't necessarily assume that that money is coming from what might have been earmarked as television money. I think you can see some money being shifted from other media like newspapers and magazines as well."

Echoing Rutman's view, **Tracey Scheppach**, Starcom's VP/Video Innovation Director, says last years' upfront presentations included an alternative platform offering or two, but that was more the exception than the rule. "At this years' upfront presentations, if television partners don't mention a VOD, broadband, mobile or iPod component to their deals, we will certainly be left wondering what the problem is. The real question is: what is sales spin and what is a real opportunity capitalizing on new consumer technology behaviors? We find out where audiences are and set up a plan to reach them there, on their terms."

"Not only do I see cross platform deals increasing but I see them increasing outside the typical upfront timing," adds Donchin. "The upfront is evolving from a strict May and June TV operation into something that's pretty much 52 weeks a year and something that involves much more than just the TV screen. As much as a lot of clients want to say the upfront needs to change, it is."

Keith Turner

Andy Donchin

Marketing integration deals

Branded entertainment has been in the forefront for the past three years or so—shows like the Apprentice have helped put it front and center. Now there's a learning curve that buyers and sellers are taking advantage of going forward.

Donchin concurs, "I hate to use this word but it has to be done organically and it can't be force-fed. As much as I think there are great examples of where it has worked I think there are other areas where it hasn't. I think it's going to be just as large as it's been in the past couple of years. A couple good things that have happened—the reality shows used to put anything on the air. Then the networks became a lot more discriminate in terms of what reality they air. With branded entertainment we're becoming a lot more selective of what we think will work and what we don't think will work."

Indeed, one seller admitted off the record they did a fair amount of program integration business in the last two years, "as did our competition. We all jumped in the pool with program integrations. But I think what we found is not all of them are as valuable as others. They are a lot of work, they are very intensive in terms of what it takes from our side of the table, from the client side of the table and from the show production side of the table. Quite frankly, not all of them are as well-received as we would like. We're being smarter about our approach—it's not going to be every show and every car and every beverage."

Mandel couldn't agree more: "I do think there have always been some that made sense and then there were some that were just done so somebody could say, 'Yes, I'm doing it.' If you do it just for the sake of doing it it's going to be garbage for the viewer, garbage for the client and garbage for the agency. I just think people are being smarter about how they use it, just like it took a dot-com bust to get them to be smarter about how they use the internet."

Cable's share

Is cable going to continue grab more share from broadcast in this upfront? "I don't think it's automatic," commented Donchin. "I think we are so into this accountability thing we just have to justify—we just can't say, 'Okay, another $200 million or $500 million to cable' and, 'You know, yeah it's cheaper CPMs.' It's more than just CPM. We're dickering about that, yes obviously, but we're more concerned with the whole platform and the whole partnership and what's working for us. You know what Court TV did and what the Weather Channel did in moving beyond just CPM guarantees. I think it's phenomenal. I would hope that it is something that is going to move forward and more networks are going to do that, to say to us, 'You know what Andy when I come to see you and I tell you how great my network is I'm backing it up.' What Liz Janneman did, what **Charlie Collier** [CourtTV EVP/GM, Ad Sales] did—kudos, hats off to them. They said, 'We so believe in our network, we know where you should be spending your advertising dollars, we will help you prove to your clients.' I said the "P" word before—partnerships—that is a partnership and that is something that, you know what, I think we're going to put the onus on some of the other cable networks that come in here and say how great they are—to prove to us."

Syndication's share

How will syndication fare in this upfront? Syndicated Network Television Association President **Mitch Burg** says one of syndication's strengths is the breadth of programming it offers to stations and marketers that are appropriate for many different targets: "Syndication's first run programming is nearly 70% of our programming hours and represents almost 60% of our GRP's. Syndication's off net sitcoms are among the highest rated A18-49 programs in all of national television and our dramas have never been more popular."

Teicher contends syndication will likely mirror the rest of the market for this upfront, and "as an industry we have reason to be very optimistic. We are home for many of the highest rated and most well-liked sitcoms. The daytime programming we offer are advertiser favorites along with some exciting new shows on the horizon like Dr. **Keith Ablow** and **Rachel Ray**. The Court genre is solid and our entertainment news magazines continue to shine. In addition, as agencies and clients become increasingly focused on ROI, the ANA/4A's study that identified syndication as the clear winner in audience retention during commercial breaks."

As with most upfronts, syndications' success depends on how aggressive the networks are. "Often times if you have an aggressive network marketplace, syndication can come along with it but if the networks are aggressive to the point where they want volume it will probably negatively affect syndication," Cella explained.

Rich Russo, JL Media's SVP/Director of Broadcast Services, while known for his one-liner, zinger quotes, is one of the industry's top go-to people for analysis. Wall Street goes to him for his thoughts before initiating coverage on a media company. He's on industry panels and conference calls. DOJ and The Attorney General call him to get better understanding of the radio world. Not everybody agrees with him, but most respect his frankness. We've given him a blank slate on anything radio and we asked the question: What would Russo do?

What would Russo do?

By Rich Russo

I guess I should begin with the fact that we as an industry are at a crossroads and what we do over the next year or so will forever alter the medium. This is not a practice run—we need to nail it now, unfortunately some of the recent decisions have put us at a disadvantage. Let's hope it's not too late to undo those as well as expand on the positive ones.

First things first, the RAB needs to be revamped and can no longer be a good ol' boys club solely existing to kiss ass to the groups who fund it. The RAB needs to be an in-your-face industry watchdog to make sure all things radio are represented in radio's best interest. It also needs to be a bulldog sales arm; it needs to continually penetrate agencies and marketers to point out the true value of radio. There are enough good things going on and we need someone out there making our point. I have come across numerous people in this industry and since this is what would Russo do, I'd appoint **Bob McCurdy** [Regional President of CC Radio Sales] as the new president of the RAB. McCurdy's tenaciousness and unparalleled knowledge of the industry and how to sell it makes him the only choice to be the voice of our industry.

The next thing is to make radio an entity that is all things radio. Terrestrial, satellite and streaming all need to fall under the same umbrella. Radio should mean anything that is audio that can contain a marketing message. Why are we dividing sides on this? We should be able to market ourselves as that. Our ratings system, which soon is to be revamped, should be able to measure all forms of radio at once. I think that will go a long way in enhancing the medium to marketers. Radio needs a uniform ratings system.

Let me now go off on a tangent here about HD radio. HD equals Huge Debacle or Highly Debatable and here's why: It is not ready, so why launch it? The unit is beyond inadequate to say the least and there are numerous flaws with the HD alliance itself. The fact that these sub-channels which on the Boston Acoustics unit I have can't even been tuned in half the time, coupled with the fact they are commercial-free is ridiculous. Radio should not promote anything commercial-free. These channels need to run spots from day one. The launch has dug itself into a hole. The average person doesn't care about fidelity—they care about ease of use and accessibility. Why are they not making this available for $20 each as an upgrade for any existing radio? If this was my baby, I would get some sort of universal converter to pick up the new channels immediately as well as stream these stations. I would also program these stations better by using it as a showcase of radio's best. Since KROQ is regarded as the best and most influential alt rock station in the country, why isn't available as a subchannel in all markets? This is a logical example of how to utilize the other channels. HD needs to get its head out of its ass, ASAP.

Speaking of HD and its alliance, it's mind boggling that everybody gets together and promotes this as the future of the industry—everybody hugging and kissing like our industry's Brokeback Mountain for something not ready and flawed. Yet this same industry think-tank sat alone in their tents last year when CC launched Less is More. I was on record immediately that LIM was important for the industry, but initially had concerns that launch of it without the backing of the ad community (where was the RAB on this one, shouldn't they have helped champion this immediately to agencies, etc?). And of course the other broadcasters let CC hang out there in the wind while they collected their short term gains. How much better would our industry be if there was a LIM alliance instead of the HD one? It's not too late on this one.

The satellite industry is the most interesting prospect here and here's what I would do. Sell the channels to broadcast companies. Think about this—the distribution method is in place, the technology is in place, it is much further along and easier to operate than HD will ever be. Satellite can pay off its debt with these sales and with a strict commercial load dictate, radio can thrive. Listening to KROQ while driving in Miami, listening to **Elvis Duran** of Z100 while in Des Moines. The Clear Channel deal with their four stations is just the tip of the iceberg. The satellite platform, if revamped, can enhance terrestrial radio.

Speaking of satellite, poor **Howard Stern** and his $220 million dollars. Are we supposed to take Howard and his rants that his listener base is cheap and isn't following him seriously? If Sirius truly believes the revenue model for Stern can outpace the subscription model, why not give the subscriptions all away for free and sell the Howard spots to make up the revenue? Hmmm, I guess that doesn't add up for them. The first step may be actual listener info per channel.

I need to go off on a rant here about NY radio and especially the CBS Radio debacle here. I am able to accept that replacing Stern is difficult, but I cannot accept with the amount of time they had, to have **David Lee Roth** come on the air so unprepared. It's unacceptable that this show is so un-listenable. It also beyond belief how bad Jack is doing here and how we have no true rock station here in NYC, WAXQ is OK for a Classic Rock station but really for lack of a better term is "vasectomy rock." NY is the most important and most influential market in the world on many levels and it should have a rock station worthy of it. My beef with CBS Radio here is this—they have two of the most influential and legendary Rock PDs in the history of the medium. **Kevin Weatherly** at KROQ LA and **Norm Winer** at WXRT Chicago. Yet neither of those two ever seem to get involved in NY. Either of those stations just run as-is on a NY station will out-rate any of CBS Radio's existing FMs and outbill as well. It's unfathomable these guys don't have a hand here.

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By Carl Marucci/cmarcucci@rbr.com

Chrysler Media Day

Chrysler Media Day, held annually in the Detroit area, is attended by just about every radio, television and cable network and rep firm, magazine, internet and newspaper conglomerate in the biz. Here we ask **Christine McKenzie**, Chrysler Group Executive Director of Brand Events and Agency Relations, what it's all about:

Why is it so important to take the time to explain your brands and brand objectives to the media on Media Day?

Media Day is a time for us to connect with our media partners. It gives us a chance to expose them to our strategies and new product initiatives. We provide them with the necessary tools so they can tailor their programs to fit our needs.

How does media day help create relationships?

Given all the time constraints of our busy days, Media Day provides our top level marketing executives the opportunity to communicate with the media reps personally. We have a question and answer period that allows two way communication. And there is a reception afterwards for one-on-one contact. The more communication, the better the relationships we foster.

Tell us how you present what media resonates best with the consumer for your different brands. How does this save time and effort when presentations are formed?

Determining the appropriate media is done at the nameplate vs the brand level. We focus on the demographic and psychographic profile of the target consumer for each nameplate. For example, media that is relevant for a Town & Country intender may not necessarily be the same for a Crossfire intender.

Give us some examples of your media day presentations and programs.

Each brand takes the rep community through their "ellipse," which describes the core values of the brand. In addition, they describe their "pillars" or areas of focus, and their target demographics for each of the launch vehicles, or nameplates. With this information, the reps are able to develop customized programs that stay true to the brand persona, and at the same time, tailored for the individual nameplates.

The key message for this year's media day was "integration." Each brand shared examples of successful, integrated, multi-

media programs. One program that we are very proud of is the Time Person of the Year campaign that the Chrysler Brand participated in. It was a comprehensive program that included multi-media both on a traditional and non-traditional basis. In addition to TV, print and web, the program was expanded to include wireless, podcasting, Interactive TV and video on demand.

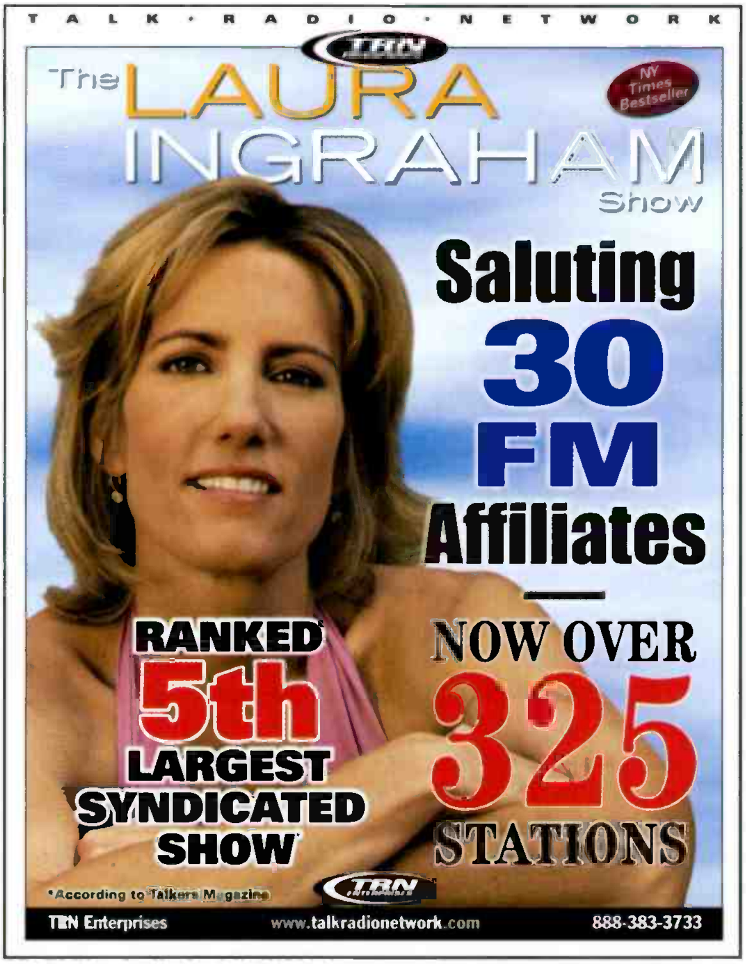
We know Chrysler Group is forward-thinking, employing creative marketing with new technologies. What is the philosophy there and how does media day bring it all to light?

We need to be where our consumers are. Our customers are very high-tech oriented and we recognize this and continue to market to them where and when they are most receptive to the message. This is emphasized to everyone, including our more traditional media partners. Everyone must grow as technology does. Media Day is an outlet for us to emphasize this to everyone.

How do you encourage media to work together for presenting integrated opportunities?

DCX, along with our media agency, PHD, works very closely with the media community. We provide information and tools for them to be able to develop the most appropriate, integrated ideas. We encourage them to break down the walls within their own companies and even look at other appropriate partners outside their networks to bring forward truly integrated platforms.

One example of partnering with other companies was shared by the Dodge Brand. Hearst and Hachette Publishing Groups rallied together to produce a special in-book advertising section. Both groups provided their expertise with relevant editorial content. Five publications contributed to the content (Esquire, Car and Driver, Popular Mechanics, Smart Money and Road & Track). The purpose of the section was to convey all the relevant aspects of the all new Charger. This included Design, Technology, Performance, and Value. Because each publishing group could only provide part of the content on their own, Dodge brought them together to make this project work. Without joint cooperation, neither group would have been able to provide all the necessary content.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T A L K · R A D I O · N E T W O R K
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NY Times Bestseller
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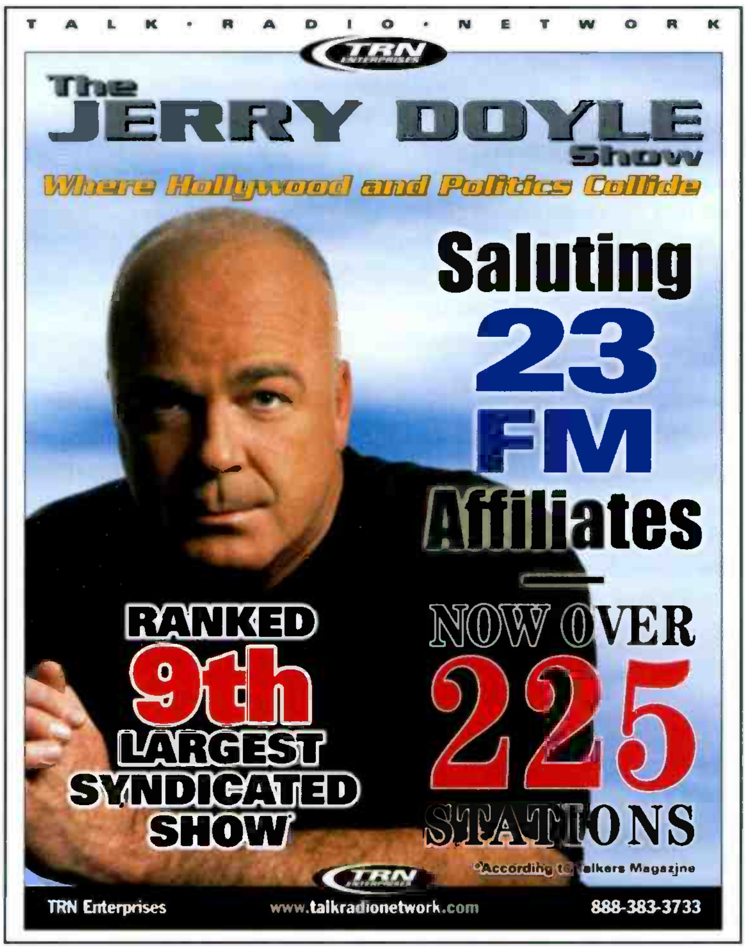
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What about the commercial and live ratings controversy? Where do you stand and why?

By an industry research guru

With the Upfront approaching, statements were made recently about commercial ratings being a better measure than program ratings of the size of the audience exposed to a message. Better how? Given that the variability of a rating is related to the size of the sample used to produce it, and the size of the sample producing a one-minute-of-one-day rating is smaller than a quarter-hour or program average rating, how can a commercial rating be more accurate? In truth, a commercial rating just measures a more precise moment in time, but it does so less reliably due to its smaller sample size. So, is the concern really about better measures, or is it the idea that commercial ratings are likely to be lower than program ratings, and using them is one way for the buying side to hold down CPMs and CPPs?

Local broadcasters are watching to see how both the commercial ratings and Live Only vs. Live Plus ratings controversies between networks and their clients shake out, because often, what happens in the national arena doesn't stay in the national arena. It gets played out in local markets as well, though sometimes slightly differently.

Commercial Ratings

It's no secret that Nielsen has produced Minute By Minute Ratings on a local basis for at least the last 17 years. Stations order these as well as Minute By Minute Audience Flow studies to analyze news lead-ins, news content performance, compatibility of syndicated programs, and other things. "Commercial" ratings are there for the asking; all one has to do is match the time the ad aired with the rating for that minute. So why aren't they more widely used in local markets?

• *Cost* ~ The price of the data is computed based on the number of minutes requested, and this easily could grow exponentially, if, for example, you decide to look not only at your station's news lead-in, but also at those of your competitors.

• *Data Manageability* ~ In the past, Minute Ratings arrived in a printed report, from which data are manually extracted and typed it into a spreadsheet, a tedious and time consuming process. Although these reports now are distributed via email in Excel and other file types, it still is necessary for someone to put the minute ratings together with the airtimes of the ads.

• *Low Sample Size* ~ Set Meter markets have 400-500 households, depending on market, while LPM markets have 600-800 Installed TV households. A low-rated program airing in a low HUT level time period can have as little as one household generating its rating.

• *Demographic Minute Ratings Not Available In Set Meter Markets* ~ Paper diaries reflecting quarter-hour viewing still are used to produce the demographic data in Set Meter markets, which thereby precludes having demographic minute ratings. And although demographic ratings on the minute level are available in LPM markets, the low sample sizes generating the data remain a concern.

If the use of commercial minute ratings were truly a better measure, ways would be found to overcome cost and data manageability issues. Local buyers and sellers wisely have avoided using minute ratings. Let's hope they continue do so, despite the actions of their national counterparts.

"Live Only" versus "Live Plus" Ratings

In the Live Only versus Live Plus ratings debate, local buyers and sellers are not as well equipped as their national counterparts. Why? Local has only *two* – repeat, *two* – streams of data (Live Only and Live Plus 7 Days), while national has three: Live Only, Live Plus Same Day, and Live Plus 7 Days. To understand the value of Live Plus Same Day ratings, it's important first to understand some limitations of only having the other two streams.

• *Live Only excludes viewing on as little as an 8-second delayed basis*, i.e., those who view in "near live" time in order that they may pause a telecast to answer the phone, or to replay 20 times in slow motion the amazing last-minute-of-the-game goal. These could be highly engaged viewers whose use of the DVR guarantees they won't miss a moment of dialogue or an exciting play. Their exclusion from Live Only (and inclusion in the Live Plus 7 Days) ratings makes it all too easy to erroneously assume they are commercial-skippers and fast-forwarders whose exposure to a message occurred "after the sale ended." In truth, close to 80% of DVR playback occurs within one day of the original telecast. According to a Nov'05 Nielsen analysis in Set Meter markets, playback that occurred one to seven days after the original telecast time represents only 0.08% of all minutes viewed within the total sample.

• *Live Plus 7 Days overnights, by their very nature, cannot be released on a timely basis*. In the LPM and Set Meter worlds of next-day ratings, having to wait an additional 7 days for final data seems to be a step backwards. LPM, especially, is supposed to give both buyers and sellers the ability to quickly react to, and correct a schedule's under delivery. However, by the time Live Plus 7 Days data are released, another survey week has passed before you know the schedule's actual delivery. As DVR usage continues to grow and more is known about how DVR households differ from non-DVR homes, the use of Live Only data will become less of an option in instances where immediate action must be taken.

Live Plus Same Day isn't burdened by any of the above. Its release is timely (next day), "near live" viewing is included and, with about 80% of playback occurring within one day, an advertiser knows its message was seen within a given time frame. Live Plus Same Day offers a more complete picture of viewing than does Live Only, making it a "must-have" tool for evaluating and adjusting local schedules. How about it, Nielsen?

Finding opportunities in uncertain times:

In a landscape of shrinking advertising revenues, direct response offers broadcasters an area of growth

By Toni Erickson Knight

Within the broadcasting business, and in the media covering that business, there has been much discussion about the effect of industry trends on the business prospects of traditional media.

The negative version of the message goes something like this: "The advertising model that has always provided the financial foundation of the radio, television and print media is falling apart, as marketers go chasing consumers into ever narrower niches, accessible via new media." Or it might be phrased slightly differently: "The audiences for traditional media have been irreversibly lost to new media that so far caters to ever tinier segments not robust enough to sustain a business." Here in the radio business, the doom-and-gloom suggests: "Unless your name is **Howard Stern**, or your benefactor is the late widow of a fast-food mogul, yours is a dinosaur business."

As anyone who looks deeper into the emerging trends will realize, the media landscape in 2006 is, in fact, ripe with possibilities. Broadcasters and marketers alike have a whole array of new opportunities available to them.

To be sure, this is a difficult time in the radio business. Ad revenues have dropped or at best leveled off for the last few quarters. The largest segment of the ad marketplace – automobiles – is suffering through rough times brought on by soaring oil prices. The highly sought young audiences seem to be increasingly eschewing radio in favor of their shut-out-the-world iPods.

Yet the fact remains that now, as always, change creates potential. Media is a business that holds out promise, at least to those nimble enough to adapt to altered situations, and the creativity to find new solutions when old paradigms shift. Radio, in particular, has weathered numerous dark days, such as the arrival of TV.

At WorldLink, our focus is on Direct Response, a segment of the advertising business that has had its demise predicted almost since the first Infomercial aired. Instead, the DR business is growing.

Marketers aren't turning their backs on traditional advertising, but even the biggest companies are recognizing some of the attractive qualities of DR. In particular, resourceful marketers and agencies recognize that the accountability and customer service inherent in Direct Response make it ideal, not only for an e-commerce environment, but also for the higher expectations imposed on traditional media as the mass market of consumers has fragmented.

With marketers demanding to know "who's watching my ad?," Direct Response, with its intrinsic accountability, its built-in back-office customer service operations, its ability to stay responsive, and its capacity to target specific audiences, offers one possible solution. Big and small advertisers are recognizing this and creating DR campaigns that are resonating strongly with consumers.

Direct response is well equipped to prosper in a fragmenting media marketplace, and therefore can be a key area of revenue growth for broadcasters. What's more, DR's focus on accountability and service is drawing in new advertisers who have not previously used it but are concerned about the changing marketplace.

Radio's strength in serving particular niches makes it an especially appropriate medium for Direct Response and its focus on targeting specific audiences. There will be even more of those niches with the advent of digital broadcasting, which will yield even more stations, with more ad inventory to fill.

And because of the call to action that is essential to DR, advertisers know immediately how well their spots are playing, and have instant access to detailed information about who is listening. DR is built on an ability to appeal to audiences based on age, income, location or ethnicity.

With radio and television too, audience fragmentation isn't simply explained by the proliferation of new media and new technology; the emergence of multiple ethnic outlets, serving a culturally diverse population, is further dissipating the audience. DR, though, has responded to the cultural changes brought about by media in other languages.

Direct Response has already developed marketing tools that others in the media business will rely on in the current environment. DR advertisers have learned to understand the often-subtle differences between one population and another, creating campaigns in local languages, and that are equipped with sophisticated backrooms that can deal with the issues raised by cultural differences.

Direct Response advertising has always had to demonstrate it can provide marketers with functionality, adaptability and a measurable return on their investments. At the same time, it has always been able to demonstrate measurable results and customer satisfaction.

So it shouldn't be a surprise that as consumers embrace DR advertising in greater numbers, they have brought along major marketers such as Procter & Gamble, Coke, GM, Microsoft and the like who view DR as a valuable supplement to their traditional advertising.

Broadcasters, too, are recognizing the growth potential available with a DR component of their advertising revenue overall. Where some in the business see this only as a time of unsettling change, the savvy ones know the current upheavals are, in fact, huge opportunities.

Toni Erickson Knight is founder and Chief Executive Officer of WorldLink, one of the world's fastest-growing full-service media sales companies, headquartered in Los Angeles.

By Carl Marcucci/cmarcucci@rbr.com

The Hispanic radio upfront

While most think of the upfront being all about television this time of year, it turns out the Hispanic Radio Upfront has been taking place as well for a while now. For six years Univision Radio, for example, on Monday night prior to the television upfronts, hosts a radio upfront concert event in NYC. About 2,000 of the general market and Hispanic buyers and clients that are in town show up. That's up from 500 when it was first organized. Yes, September and October is when the actual renewals are done, but the main upfront presentation takes place in May. The same holds true with SBS, tied in with ABC Radio Networks. Univision Radio, the largest Spanish language radio broadcaster in the U.S. covering approximately 73% of the U.S. Hispanic population with over 10 million listeners weekly, started when there were no Hispanic radio networks per se. Radio Unica was the only one out there until Univision came along. The Univision Hispanic Radio upfront started as a way to pull some of the talent—the agencies and clients that were in house and in town for the television upfronts—which for Hispanic, most of the clients and the agencies are one in the same.

Univision Radio invites guests to kick off Upfront week on that Monday because most of the other events are Tuesday-Friday. Univision hosts them—and guests get Upfront week started in a club atmosphere, and then they move from event to event. Last year was Univision's first really big entertainment year.

They flew in La Ley from Argentina overnight to perform with Thalia and Bacilos. The multi-act event at Gotham Hall also included a multimedia presentation featuring their network programming and specials and a welcome speech from Univision Radio President **Gary Stone**. Univision Radio talent mingled with the audience greeting the clients and agency guests.

ABC/SBS did an event at Crobar in NYC, with "Havana Night Club" performing—an act that brings back the sounds of Cuba from years past (Flamenco, Cha-Cha-Cha, Mambo and Rumba). Other artists included Olga Tanon, La India and Ivy Queen.

Most of the crowd goes back and forth to these two events. Univision arranges transportation—cars and trolleys—to get them there to see both events. Univision says they want to be fair about it with SBS.

"Univision Radio has a good hook," comments one of last year's attendees, "great talent, and great on-air personalities. In reality for the Hispanic upfront this is television time. What Univision Radio is trying to do is take advantage of the accessibility of talent, the availability of agencies and clients and then puts together a great showcase. The buying public can see what kind of events their vendor puts on."

Says **Marko Radlovic**, SBS EVP/COO: "We feel it is very important to have visibility at the New York Hispanic Media upfront presentations. Marketing our brands is a battle of perception. SBS considers this event as a golden marketing opportunity to promote the equity of our radio properties and showcase our incredibly talented Morning Show talent. Making a major impact during these presentations is crucial to accomplishing our marketing goals to the media community. SBS has used this event as a special way to show our appreciation to our greatly valued advertising partners."

SBS, at presstime, had not yet decided if they will have an event this year—but it is fairly likely.

This year, Univision Radio will be at Gotham Hall again with a private concert featuring artists Kumbia Kings, Noelia, and Tito El Bambino. Additionally, they will be showcasing their RadioCadena lineup, which includes programs such as El Garaje, Locura Deportiva and **Julie Stav**, Dr. Isabel, their cooking show, novela program and new programs, which focus on current hot topics like immigration, and national policy, via their Washington news program Tu Voz En Washington. They will also announce some of their new partnerships with NASCAR and Southwest Airlines, as well as a possible new agreement with the NFL.

SBS's upfront invite from 2005

Dave Logan, who runs Interep's Hispanic Network, tells us their upfront ties in with the general market network radio. "The upfront has become a big deal for us as we have very limited inventory. The upfront took 90% of 2006's inventory. We used a St. Patrick's Day event to promote all our networks. The key purpose of entertaining is for the clients to have an opportunity to mix with each other, discuss the marketplace and exchange resumes."

Interep's Hispanic Network delivers over 200 radio stations with tremendous strength in the top five Hispanic markets. "That is why we are up 33% this year," says Logan. "If a Hispanic advertiser is not doing business in these top markets they are not in business. The Spanish broadcasting companies' strong major market stations create a lot of the buzz and action is these key markets (Too many advertisers get confused and purchase low rated small market stations and low rated major market stations featuring special programming complementing their brands. The problem is no one is listening and the promotions die)."

He adds, "The best way to generate successful media/product moving promotions is share revenue with the stations. If the stations can make money they will go out of their way to see that an advertiser's media/promotion campaign is a success."

THERE'S POWER IN NUMBERS.

We all know that Hispanics are the fastest growing segment of the U.S. population. In fact, **Univision Radio** currently reaches 11 million Hispanic listeners each week. That's because **Univision Radio** provides the best-known names in Hispanic entertainment and events.

CONCERTS

Ricky Martin
Gloria Estefan
Enrique Iglesias
Marc Anthony
Juanes
Alejandro Fernández
Bacilos, La Ley, Thalia
Chayanne
Luis Fonsi & Christian Castro
Laura Pausini
Kumbia Kings, Noelia, y Tito El Bambino

EVENTS

Premio Lo Nuestro - Music's premier Latin award show
Premios Juventud - Youth targeted award show
Latin GRAMMY® Awards - the most high profile celebration of Latin music
Salud, Dinero y Amor - Health, Money & Love

RADIOCADENA UNIVISION PROGRAMS

Tu Dinero con Julie Stav - Finance
Doctora Isabel - Family Relationships
El Consultorio de la Dra. Aliza - Medical Commentary
El Garaje de AutoZone - Automotive
El Handyman en su Casa - Home Improvement
Cuentas Claras - Finance
Locura Deportiva - Sports
Locura por el Futbol - Sports
La Vida es una Novela - Entertainment
Con Sazón de Este a Oeste - Cooking
Tu Voz en Washington - Political/News

PODCASTING RadioCadena is the only Spanish language network that podcasts their programs. Now available at www.miUnicast.com or from listings on podcast directories, like iTunes or ipodder anytime, and from anywhere in the world.

To expand your reach, call Jack Hobbs now at 214-525-7737.

*U.S. Census projections **Arbitron weekly listener estimates (P12+)

UNIVISION Radio | It's all here.

ENGINEERED FOR PROFIT

By Carl Marcucci/cmarcucci@rbr.com

Philippe Generali, President of RCS and Media Monitors

RBR recently reported CBS Radio was considering discontinuing business over the fact its competitor Clear Channel is buying you. The concern was CCU would have access to proprietary data from Selector and other systems. You assured us this could not happen. Please explain in detail for other broadcasters with concerns.
Our business is by nature confidential. When you deal every week with almost 100% of the music stations in New York or Los Angeles, you'd better know how to keep your mouth shut! After 27 years and more than a half million telephone calls handled for support in the US, never once has a confidentiality issue come up. Our staff has an immaculate reputation. We know it is the only way to build customer relationships. Acting any differently would instantly destroy RCS' image and kill our business altogether. If *you* invested in a company, would you want to see it die? Beyond ethics, it is only business logic!

Tell us about new product debuts and upgrades featured at the recent NAB 2006.
RCS literally wrote the book on music scheduling with the original Selector software. Today, because 7,000 radio stations in 94 countries use our software daily, we have a deep understanding of the needs of our customers.

The new story has become universal: managing multiple channels. Radio is being asked to create more content than ever with HD and satellite channels, internet streams and consolidation, during an ever-stretching workday.

Dr. Andrew Economos, the creator of Selector, once again applied his science and statistical mind to turn music scheduling on its head.

To give life to these new concepts, we put together the same team that created our original Selector. The result is GSelector, music scheduling reinvented...literally. It's quite revolutionary and a very different system for a new breed of talented, multitasking programmers to handle multiple channels from one music library. This saves time and creates virtually no unscheduled positions while providing more log control without setting up rules. The users tell the system what their logs must sound like and GSelector takes it from there, simply, automatically. It is so unique we received a patent for goal-driven, demand-based music scheduling.

So, RCS invented goal-based music scheduling. What does that mean?
Every programmer has goals for their on-air sound, of course, and that's how GSelector is controlled. Programmers start with their finished log and adjust the natural demand (goals) of each song, artist or attributes like tempo, theme, sound code, as needed. That's about it, really. What makes the system revolutionary is precisely its simplicity of use.

While rewriting GSelector from scratch we modernized the architecture, leveraging Microsoft ".NET 2.0" technology so you can use it from anywhere. With one music library across an entire enterprise, song attributes only have to be entered once and can be shared by any station you manage.

GSelector schedules multiple stations using cross-station protection so two channels cannot play the same song simultaneously. The new Audio Analyzer inside GSelector identifies song parameters like energy, tempo, run time, whether an ending is cold or fade, even opening and closing musical key of the song, automatically. It can also identify multiple intros of a song.

Another significant advantage of GSelector is its availability as a barter service from **Kraig Kitchin**'s expert team at Premiere Radio Networks.

Your Media Monitors service has captured the bulk of spot monitoring business here in the US. Why is that? What expansion of services do you expect?
The industry has made Media Monitors the leader in spot monitoring services because, as our ads say, "we know spots" (the ads feature a Dalmatian!). We have an experienced team of passionate people. The top 10 billing stations in the US and major radio groups are using one or more services from Media Monitors in multiple markets: ABC, Bonneville, CBS Radio, Clear Channel, Entravision, Entercom, Greater Media, Susquehanna and others, researchers like Nielsen and VMS, networks like Westwood One and reps like Katz and Interep. We work with great professionals, for example, **Gary Schonfeld** and Jones MediaAmerica provide barter for Media Monitors services. Now that we have grown our commercial monitoring service to identifying radio spots on over 1,000 stations in the top 50 markets and print ads in major newspapers in the top 30 markets, the newest horizon for Media Monitors is television, specifically local broadcast TV and local cable.

With virtually all of radio's infrastructure digital and HD emerging, where is radio technology going and how does RCS fit in?
Radio's first mission is creating great content. Delivery methods are growing day-by-day, certainly great news for anyone with content to offer! Besides FM, AM, and HD, worldwide there is DAB, DVB-H, Visual Radio, satellite, 3G, Internet streaming (via broadband, Wi-Fi, Wi-Max) and more. For years RCS has been developing ways of taking advantage of these platform opportunities and have launched products—such as RadioShow and iSelector—ahead of the curve in providing graphical and interactive content alongside audio for a richer user experience and, most importantly, additional revenue for broadcasters.

Cellphones are becoming the center of a person's communication and entertainment universe. While phone manufacturers look at exciting new content-delivery technologies, even by utilizing plain old FM, there is still room for growth. Nokia says FM radio is one of the most popular features on a cellphone. Sixty-five percent of those with FM radios on their cellphones listen at least once a week. All this illustrates radio's most enduring quality as a uniquely portable medium; the one medium you can enjoy even while doing something else.

GSelector™

Spread Your Wings!

music scheduling
reinvented™
www.gselector.com
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TELEVISION PROFILER

By Jack Messmer/jmessmer@rbr.com

Colleen Brown, President and CEO of Fisher Communications

Colleen Brown took the helm of the Seattle-based public company in October 2005 with 10 television and 27 radio stations in the Northwest. She'd previously been an executive with Belo, after serving as President of the Lee Enterprises TV group, which was sold, and, before that, nearly 19 years with Gannett.

You're still the newest CEO in broadcasting, so what was it that you told the directors that made you their pick?
I think I can make a difference here and I think that this is a great set of assets that has a long legacy of success and presence in the communities they serve and I think, along with all that they have done over the history of this company, deserve to succeed. So I think I can make a difference.

Before you joined Fisher, the company had been reorganizing and selling a lot of assets. Where do you go from here? Are you back into an acquisition mode after all of those divestitures?
The divestitures were primarily focused on narrowing the field to broadcasting. This company originally started as a mill company, milling flour. So there was a lot of reorganization the company wanted to go through in order to narrow its focus to broadcasting. Then there was some reorganization to clean up the balance sheet and, yes, I think the focus going forward is regarding growth—and smart growth.

The first big thing you've done since being there was announce a deal to acquire your first Spanish stations. Why did you go in that direction?
I think duopolies make great sense and I think that is one of the fastest growing—I don't think, I know—is one of the fastest television networks in the country and certainly the [Hispanic] population base is growing in Portland. I think there is a huge opportunity for tapping into an unserved market.

What do you see you being able to do with those stations by adding the heft of the Fisher English-language stations in the same markets?
In general, a great understanding of all local broadcasting—a great understanding of being able to leverage the technology, both on the Internet side and on the broadcasting side, and an understanding of the advertising marketplace that obviously we can strengthen the local sales, particularly in the Spanish language sector.

Now, are you looking at other kinds of duopolies as well?
I think where duopolies are available they make sense and we should try to do them. I think the economics have proven out over and over, so it's a pretty simple way to grow, somewhat organically. Leverage what you already have in your strengths, if you will.

Are you going to stay regionally focused in the Northwest?
Our strength has been in the Northwest and I like what I see here. If there was some opportunity to consider expanding, certainly we look at everything. We're going to continue to look at everything, but it would have to be smart growth.

Did you have any background with radio before or is that a whole new area for you?
I think when you're in broadcasting it's not a whole new area. I certainly had a lot of exposure to it, but as far as being directly responsible for running a radio group or a station, yes this is a whole new opportunity for me.

So what have you found that you didn't expect about radio?
The call to action that radio provides. I certainly knew it and understood in my mind that's one of the things that radio does well. But actually living it and seeing how it works—literally making a call to action and raising immediate funds—there's just an amazing responsiveness to radio. That's what I didn't know.

Do you see any particular synergies with having radio and TV in the same market, as you currently do only in Seattle?
I think there is great synergy, depending on the radio stations you own and the television assets you own. We have a strong a news and the good talk radio station with KOMO-1000 and KVI and both AMs are strong compliments to what we do everyday with our television asset. I think there's a great compliment. I can't say that's always the case with everything. For example, we have KPLZ which is a great music station—it's just not as easily complimenting what we might be talking about on the news.

In both radio and TV you have an unusual split in being in both very large markets with your two biggest TV stations and your biggest radio combination and then in some very small markets. Is that a dual track that works for your company?
I think it's kind of the wheel and spoke mentality. As long as we're strong and healthy in the wheel we can help and develop out in the regional areas. I do believe it works for this company because what you described is exactly what the Northwest is, so it's fine because it's a regional play.

Where do you see things going with ABC? Are you confident that the network is staying on track and are you able to build on what they are producing ratings-wise with your news?
I've always felt very confident and strong about ABC. I think out of all of the networks out there, there isn't any company more poised or more prepared to understand what entertainment truly is all about and ABC, they may have stumbled, but I have great hopes for what they are doing and feel very confident that they are going to continue to grow and continue to really understand what the consumer wants to see—and I think that's very important.

By Jack Messmer/jmessmer@rbr.com

Warshaw's round two is a Connoisseur build-out

After selling his first Connoisseur group, mostly to Cumulus Media, for $258 million, **Jeff Warshaw** was still many decades too young to retire to Naples, Florida and spend his days on the golf course. But he couldn't find any good opportunities to get back into radio, at least not any that made financial sense at the multiples being asked, so he stayed on the sidelines for a while.

"For the past few years I have been working with this very large hedge fund called Farillon Capital. We invested in a bunch of radio stocks and radio bonds and media companies and we invested in media companies both long and short over that period of time. We have a very good track record and continued to do that and tried continuously to get back into the business as an owner. We just couldn't find deals that made sense for us," Warshaw told RBR/TVBR.

But he knew there would be opportunities—eventually. "We're very patient and disciplined and that's why we didn't jump back in again. Well then this auction came about which also gave us an opportunity to get in with a benefit of a discount from the broadcasters—because we didn't own any stations at the time of the auction we qualified [as new entrants]. We basically looked at all 288 licenses and I looked at each one and tried to figure out what could be done with it and we did research—engineering research on about 70 of them—and knocked it down to about 30 that we were really interested in," Warshaw explained. At that point he went to the Noonday unit of Farillon, which he had been investing with, and offered them an opportunity to back him in going after those construction permits.

"They were delighted for the opportunity to at least try to start a new company, not knowing at the time when we started whether or not we were going to end up with any of the licenses that we most prized. We feel really fortunate that we were able to get 10 out of the 20 that we liked the most, including six of the top 10 that we had highest on our list. We were able to do it at prices that we thought were attractive. So the strategy was to get back in operating and start building a management team and an operations team that would help us and facilitate our re-entry into the business when deals came our way," Warshaw said.

So, with 10 CPs in hand, he set out to build a new radio group from scratch.

"Almost all of the stations, the CPs that we bought, have been improved in some way or will be improved in some way to increase value and to give them better signals over their markets. One of them was a Class A, now it's a C. We saw an engineering opportunity that these stations were stuck in adjacent frequencies and we bought them both. We cut the engineering that otherwise couldn't have been done. In the case Huntington [WV], we were able to negotiate a deal with another broadcaster to improve our signal. In Wichita [KS] we bought another station (KTCM-FM), which we've downgraded in order to improve our station—things like that. We feel like we created value at the auction by buying the right stations at the right prices and now we feel like we've created value by improving a lot of the facilities," Warshaw said. And he sounds like a proud poppa now that several of the stations are actually on the air. "As you know our first sign-ons were in Bloomington, Illinois. We signed on with two brand new stations and both of them debuted in the top five, 25-54," he noted.

Now that was a pretty heavily consolidated market with very few players, we noted.

"Right, and our 25-54 numbers put us second in the market in our first book—with two stations, rather than four for our competitor. We feel like the market is embracing what we're trying to do there, clearly. We're grateful and we feel we've gone in and we did our research, like we always do, and we found what we thought were formats and opportunities that were attractive," he said. "We've been received with open arms in that community."

Bloomington was first and at the time this issue went to press, Connoisseur had signed on a total of six new stations, but that number may be seven by the time your read this.

"Right, we have one in Wichita, which will be coming on in the next few weeks. Then we have some engineering to be done on a couple of the other stations to be completed, but we're putting them on one by one. I don't think anyone's put on this many stations so fast. I mean I don't think it's ever been done from scratch. You know, we put three on in a month in Billings, all in time for spring book," Warshaw said.

It's kind of like going back to the 1920's and 30's, we noted, when the first radio stations were being built all across the country.

"Yes, except for at a volume that wasn't done. I mean six stations within a year, approximately a year from the time we got the final CPs. So we're really fortunate, we've done it without a huge staff but we've worked really hard at it and we're really happy for having been able to do it so quickly and do it so effectively. These stations were not just thrown on the air. They were heavily researched and now heavily promoted. We think that is yet another way for us to create value with

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these stations," Warshaw explained.

Several of the people helping to build the new Connoisseur have rejoined Warshaw from the original Connoisseur. **Mike Driscoll** was there to build the original Connoisseur and stayed with Warshaw to launch the new one as Executive Vice President and CFO. **Larry Weiss** had been General Manager in Youngstown-Canton, Ohio the first time around and is now Vice President and Market Manager in Bloomington, IL. **David Bevins**, who ran the Rockford, IL cluster for the first Connoisseur, recently rejoined the company as a Corporate Vice President.

While the new Connoisseur has been mostly about building new stations from CPs, now that he has a base, Warshaw is also doing some buying. He has deals pending to buy a second station in Huntington, WV for $3.1 million and an entire cluster of six stations for $17.273 million in Erie, PA, a market where Connoisseur has no other stations or CPs.

What's the acquisition strategy? Is he looking for more CPs, or does he expect spin-offs to come onto the market as some of the big consolidators shed non-strategic markets?

"I think CPs, that was an opportunity at that moment in time that we took advantage of, that we availed ourselves of. We're certainly not going to sit around waiting for new stations to come on the air. There are a bunch of companies that have been built that are maybe looking at some divestures. We think that we are in a good position to take advantage of those. As Connoisseur Capital, I continue to be a very active investor in public media companies, a very active investor in those companies. So that's another part of the Connoisseur game plan, which is to look at value—be it public, private, larger markets, smaller markets, CPs standalones, dominate clusters—we're open to opportunities. We think we have the versatility to do it, both from a creative and experienced standpoint and from a financial standpoint," Warshaw explained.

With a well-finance private company, Warshaw isn't worried about competing with the public giants. Even where Connoisseur has standalones, he says the company can compete effectively.

"We're devoted broadcasters. We feel like we can compete with anybody. We feel that we have a track record that we can compete with people. We feel that we have great, really, I guess terrific financial wherewithal to go along with our experience. We're not managing to a stock price or to hit our ratios with our banks because that's not what we do. We are in it to build long term value and long term value means, in our mind, putting on great radio stations, having great radio stations that are well promoted and well staffed and are maximized for the long term not for book to book. So in the case of Erie, it's a dominant cluster. We have experience with dominate clusters. We like those; we know how to build, take that position and to improve upon it as we've done before. We're not limited to one single strategy. We have the latitude to do what we want to do because we don't have pressure. We welcome the opportunity to take on challenges that maybe other broadcasters aren't in the position to do," he said.

Back before the first Connoisseur, Warshaw grew up in radio, which may explain his devotion to the business today.

"My father and my uncle started Universal Broadcasting, which were specialized stations in major markets—brokered radio stations with foreign languages and religion, he recalled. Jeff got the ownership bug while still a college student. "Right, when I was a Warden undergrad I built—me and my brothers and my aunt—got a construction permit for Portage, Indiana. My first job was to basically find the money to build it and to put it on the air, which I did. I later sold it to Douglas Broadcasting."

After a few years in the family business, Warshaw went out on his own in 1992 to raise money for his own company. As it happens, that backing came from his closest friend from first grade, who by then was working with the Ruttenberg family's Tinicum Inc. investment firm. It backed Warshaw's purchase of WFDF-AM & WDZZ-FM from Mike McVay as the beginning of the first Connoisseur Communications. ABRY Partners later joined as a second financial backer. At the time it was sold to Cumulus Media in 1999 for $242 million, Connoisseur had 35 radio stations in nine Midwestern markets. Earlier sales brought the total cash-out to $258 million

The new Connoisseur Media is now in nearly as many markets, eight, with 14 stations on the air or their purchase pending and three still unbuilt CPs. We asked,

What are you looking for in acquisitions?

"Obviously, where we think we can add value," Warshaw answered. He said his company has the resources to do the research and promotion that some competitors don't. "We see opportunities in areas like yield management that we were really renowned for. We think that's a really important discipline. That's a core discipline for our company. We feel one of the things that we were really well known for was our rigorous training and developing people. We have skill sets and skill development plans that radio companies generally don't devote the type of resources to that we feel are important. Getting better is a core value of our company. We say in the Connoisseur Employee Bill of Rights not only that an employee has the right to be told how they are doing; they have the right to be told how they can get better at their jobs. That's one of the reasons—that type of dedication to improvement—that people are coming back to our company. Routinely people have said to me that they never learned as much working for any company as they did with me and Connoisseur. It's something we don't just pay lip service to, it's something that is an absolute part of what makes us what we are at Connoisseur," Warshaw said.

Unlike most radio companies, Connoisseur isn't targeting a particular market size range.

"I've looked at deals from the largest markets to unrated markets. I think we feel comfortable operating anywhere. We feel that our dedication to quality broadcasting works regardless of the size of the market," he said.

Do you have an idea of how large the company is going to be and how soon?

"No idea. I would bet that it will be larger than it is today. Our biggest constraint will be bringing in the kind of people that we need to build the kind of company that we want to build. It's certainly not capital and we have the experience—we're looking to continue to bring in the best people to make it happen," Warsaw said.

That's what makes Warshaw bullish on radio at a time when it is out of favor on Wall Street.

"I think the business is a good business. I mean it's a fundamentally good business. Businesses have an ebb and a flow—it's good business. If you don't overpay and you run a quality operation, you'll do fine," Warshaw insisted.

Connoisseur's growing portfolio

Market #74, Omaha, NE: unbuilt FM CP

#92, Des Moines, IA: 2 unbuilt FM CPs

#96, Wichita, KS: recently built KIBB-FM "Bob"

#155: Huntington, WV: recently built WMGA-FM "Magic 97.9"; pending acquisition of WRYV-FM from Legend Communications for $3.1 million

#165: Erie, PA: pending acquisition of WFNN-AM, WJET-AM, WFGO-FM, WRTS-FM, WUSE-FM and WRKT-FM from NextMedia for $17.375 million.

#236, Bloomington, IL: recently built WBBE-FM "Bob 97.9" and WVMG-FM "Magic 100.7"

#257, Billings, MT: recently built KPBR-FM "The Bar 105.9 FM," KWMY-FM "My 92.5" and KPLN "Planet 106.7"

#267, Rapid City, SD: unbuilt FM CP