Hot Steamin' Christmas Songs!

Tuned in

RADIO WORLD'S MANAGEMENT MAGAZINE

vol. 4 no. 12
Dec. 1997

Adult Standards:
A sentimental journey?

Why is this little boy looking up at the stars?
See page 8.

HAPPY HOLIDAYS, ONE AND ALL!

Contents

Vol. 4, No. 12, December 1997

Tuned In
RADIO WORLD'S MANAGEMENT MAGAZINE

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Tuned In (ISSN: 1086-363X) is published monthly by IMAS Publishing (U.S.A), Inc. P.O. Box 1214, Third Floor, Falls Church, VA 22041. Phone: 703-998-7600. FAX: 703-998-2966. IMAS e-mail: 74103.2435@compuserve.com See bottom of page 6 for editorial contact information. Periodicals postage paid at Falls Church VA 22046 and additional mailing offices. POSTMASTER: Send 3579 forms and address changes to Tuned In, P.O. Box 1214, Falls Church, VA 22041.

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Alan Haber

Resolutions

'Round about Thanksgiving, I put pen to paper and begin jotting down a host of New Year's resolutions I fully intend to keep. Truth is, although I resolve to eat better, exercise and get more sleep, I generally wind up the same old tired and out-of-shape fast-food lover everyone knows and loves when January 1 rolls around.

But that is the old me. The *new* me (this year's model) is acutely aware that you need to be at your peak to keep up with the radio business these days. Wall Street may be looking more seriously at this industry, but that doesn't necessarily make things any easier for you in your day-to-day grind. You still have to work harder than ever to keep your share of the advertising pie. You still have to find your market niche and new ways to keep it as competition continues to beat down your doors.

That means steering a clear path to success. We're here to help. We have gathered together our team of regular correspondents for our first-annual year-end discussion of the trends and issues that affect your business. This year, of course, we take a look back at 1997 and a look ahead to 1998.

Will it be business as usual for you and your station(s) in the New Year? Trust Doug Burton, Frank Montero, Harry Cole, Vincent M. Ditingo and Kim Komando for clues you can use to work smarter saleswise, maintain a healthier-than-ever bottom line, get a grip on the FCC, have a clearer managerial outlook, and make cyberspace work for you, respectively. Our special section begins on page 8.

Is it business as usual in Honolulu? In our popular Market Watch corner, Bob Rusk reports, beginning on page 26, that it isn't the best of times in the nation's 58th largest market. But is it the best of times for stations spinning adult standards? That is another question entirely, and Sandy Wells is at the microphone, crooning the answers in our bimonthly format focus on page 30.

Apparently, I'm not the only radio person making resolutions. Some of your peers are, too; four of them posted theirs in a managerial frame of mind on *The Tuned In Quote Board* (see page 24).

Do you find that you can pretty much set your watch to the exact minute every year that your station starts to play Christmas music? What are the stories behind some of these classics? And what part, if any, does the summer sun play in their creation? We have the sun-soaked *Famous Last Words* on the subject on page 38.

We have some other words, too. Thanks for all the support you have given to this magazine over the past couple of months. We all appreciate it. But we couldn't do it without you, so don't hesitate to let us know how we're doing in the coming year. The contact information is, as usual, down below.

Have a very happy holiday season, and a wonderful and hopeful New Year. I'll see you back here next month. Now, where did I put that list of resolutions?

Contact me directly at P.O. Box 4649, Alexandria,Va. 22303-4649.
Phone: 703-329-0980 Fax: 703-329-1853 E-mail: tunedinmag@earthlink.net

Who has the best Digital System for groups?

CapStar/GulfStar
Austin, TX
Baton Rouge, LA
WJBO-AM
WLSS-FM
WYNKAM
WYNK-FM
KRVE-FM
WBIU-AM
Beaumont, TX
KKMY-FM
KLVI-AM
KYKR-FM
KTOC-FM
Corpus Christi, TX
KMXR-FM
KRYS-AM
KRYS-FM
Fayetteville, AR
KKIX-FM
KKZQ-FM
KEZA-FM
Fort Smith, AR
KMAG-FM
KWHN-AM
KZBB
Killeen, TX
KIIZ-FM
KLFX-FM
Lawton, OK
KLAW
KZCD
Longview, TX
KKTX
KNUE
KISX
KTYL
Lubbock, TX
KFMX-FM
KKAM-AM
KRLB-FM
KZII-FM
KFYO-AM
KKCL
Lufkin, TX
KYKS-FM
KAFX-FM
Shreveport
KRMD-AM
KRMD-FM
Texarkana, AR
KKYR-AM
KKYR-FM
KLLI-FM
KYGL-FM
Tyler, TX
KNUE-FM
KISX-FM
KTYL-FM
KKTX-AM
KKTX-FM
Victoria, TX
KIXS-FM
KLUB-FM
Waco, TX
KBRQ-FM
KCKR-FM
KKTK-AM
WACO-FM
KWTX-AM
KWTX-FM

CapStar/ PacificStar
Modesto, CA
KVFX
Yuma, AZ
KTTI-FM
KBLU-AM

CapStar/ AtlanticStar
Dover, DE
WSRV
WDOV
Wilmington, DE
WJBR-AM
WJBR-FM
WDSD
Winchester, VA
WFQX
WUSQ
WNTW

CapStar/ SouthernStar
Cocoa, FL
WLRQ-FM
WMYM-AM
Decatur, AL
WTAK
WWXQ-FM
WDRM
WBHP
WHOS
Tuscaloosa, AL
WACT-AM
WTXT-FM
WRTR-FM
WZBQ-FM

Triathalon
Colorado Springs, CO
KSPZ-FM
KVUU-FM
KVOR-AM
KTWK-AM
Kennewick, WA
KTCR-AM
KLOK-FM
KNLT-FM
KEGX-FM
KKNX
Lincoln, NE
KZKX
KTGL
Omaha, NE
KTNP-FM
KXKT-FM
Spokane, WA
KEYF-AM
KEYF-FM
KKZX-FM
KUDY
Wichita, KS
KQAM
KEYN-FM
KFH-AM
KRBB
KWSJ

Drake Communications
Rogers, AR
KLTK-AM
KWMQ-FM
Tahlequah, OK
KTLQ
KEOK

Lazer Broadcasting
Big Bear City, CA
KXSB
Hemet, CA
KSDT-AM
KXRS-FM
Oxnard, CA
KXSP
KXLM

Noalmark Broadcasting
El Dorado, AR
KIXB-FM
KAGL-FM
KELD-AM
Hobbs, NM
KYKK
KZOR
KIXN

NPR Affiliate
Boise, ID
KBSW-FM
KBSX-FM
KBSU-AM
Hutchinson, KS
KHCC-FM
KHCD-FM
KHCT-FM

Jacor
Iowa City, IA
KXIC-AM
KKRQ-FM

Salem
Boston, MA
WPZE
Denver, CO
KRKS-AM
KNUS-AM
KRKS-FM
Los Angeles, CA
KKLA
KLTX
Houston, TX
KKHT
Minneapolis, MN
KKMS
KEGE
New York, NJ
WMCA
WWDJ
Phoenix, AZ
KPXQ
Sacrameto, CA
KFIA
KMJI

Faith Communications
Las Vegas, NV
KILA-FM
Ogden, UT
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KCIR

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Support: (308) 284-8450

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E-mail: sales@prophetsys.com

It's In the Stars

Our first annual look back and look ahead

You could stare into a crystal ball, but that's just a big piece of glass affixed to a wooden base. You could visit a fortune teller, but you'd probably leave missing a measure of wisdom. You could consult a Quija board, but all you'd probably get is a cramp in your hand.

Better to do like the little boy pictured above: look to the skies for a hint of what is to come. It's in the stars, you know. The future of our industry is in the sky, silently waiting.

Do your gazing at night, when all around you is still. Stand silently as the nighttime air whistles ever so gracefully past you. And look up above. What you find may indeed amaze you.

But, really, you've seen the signs coming all along. Perhaps none of what you will see will come as a surprise. After all, you're about to consult with the Tuned In experts for an analysis of the year in radio 1997 and get a head start on determining the trends and issues that will affect your business in 1998.

It's in the stars, all right, but the future starts here. Right now. Read on.

Sales Talk

Doug Burton

"The stage is set for a larger share of advertising dollars in 1998."

Radio upgraded its image in 1997. At first glance, little has changed with respect to market shares. While revenues continued to increase, the market share for radio is still hovering around 7 percent. Newspapers and TV still racked up the larger share of advertising dollars even though in many markets it only took a handful of stations to match the cume that newspapers deliver.

The amount of time spent with TV continued to decline. The good news is that due to consolidation and changing attitudes among sales teams, the stage is set for real progress in 1998.

"Radio's always been considered a fill-in-the-cracks medium," says Jack Trout, marketing guru and co-author of *The New Positioning*. "Radio is at 7 percent. It really deserves 10 or 20 percent when you look at time spent with the medium."

Trout says that for the first time in decades radio is starting to be effectively presented and sold. "In the past," he says, "salespeople have been focused on chopping up the other guy and getting an extra two dollars here or there from the other (radio) guy."

In many cases, consolidation has dramatically improved the way sales reps present the medium. In the past, there has always been a sort of separatism between different radio groups in a given market. Often, that has led to a lot of criticism when the client bought other stations in town. More recently, instead of being criticized the client might have heard "Thanks for supporting the industry." This is a fresh new message that many sales teams are embracing and using almost daily. This new level of maturity may be the key to breaking the 7-percent mold in 1998.

One of the big accomplishments of sales teams in 1997 was simply adjusting to new ownership and consolidation. 1997 was also a year of reassuring advertisers that consolidation can really benefit their business.

"With multiple sales staffs under one roof, it's been easier to train and unify the 'pro radio' sales message that is preached by a company," says Bob Hogan, director of sales for Trumper Communications in Salt Lake City (my company). Hogan says that 1997 was a year of testing communications systems between different sales staffs and different management. "If these systems aren't in place, consolidation fails."

Matt Sunshine, general sales manager for KPLX(FM)/KKZN(FM) in Dallas-Fort Worth, says one of the benefits of consolidation has been the ability to focus more on the total package.

"One of the things we're working on here is being able to deliver full-blown marketing proposals to clients," he says, adding that this includes developing strategies for radio, print, and web site advertising. "We've taken a strong position to work with ... newspaper(s), not against them. The best thing the advertiser (who is currently using newspaper) can do is to enhance his advertising by using radio."

This sounds easy, but there is a problem: newspaper still gets more than a fair share of advertising dollars. This may be because there are still a lot of advertisers who believe they have to have the big ad in the newspaper to survive. Trout says that while consumers prefer receiving communication aurally, advertisers prefer the visual medium.

In fact, Trout feels that radio salespeople have a unique and powerful product to sell in 1998. "Radio salespeople need to have confidence in the fact that radio can make it for advertisers without pictures," he says. This essentially means proving to advertisers that radio can be their primary advertising medium in 1998.

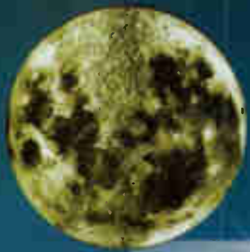
1997 trends

A way in which some radio groups began in 1997 to capitalize on the power of a consolidated environment was to develop a cluster of stations targeting the same demo. This enabled sales reps to land some much bigger deals than would have gone to radio in the past. Often the collective cume of a radio group dwarfs the coverage of a television station or newspaper. This has led to radio getting some newfound respect and attention.

Radio groups began to prove in 1997 that they can build some solid strategies, effectively saturate all the demos in an advertiser's target market and follow through with excellent supporting services. The result: some major clients are starting to sit up and take notice.

In 1998, I believe we will see an increase in the number of radio groups with bona fide in-house creative shops. In 1997, these shops took on a new popularity with clients and station sales teams. This sort of completes the package for a client when a radio group can bring in a creative to develop a solid marketing strategy and a commercial campaign that will maximize the money invested in a schedule.

Most clients I surveyed say radio station creative shops ➡



"Stations have got to stop doing ads with DJs who speak to consumers like they're idiots."

— Eric Studer, vice president/marketing services, Motel 6

enable them to have more creative control and hands-on input than they do with most agencies.

What does the industry need in the creative arena in 1998? Trout says "more people who know how to communicate well on the medium."

A hot trend in 1997 was the increased use of radio for recruitment advertising. Many radio groups have hired recruitment advertising specialists solely to target the market's biggest employers.

Chris Stonick, a Fort Lauderdale-based recruitment specialist, says 1997 was the best year yet for using radio for recruitment. Stonick says that his top markets are now putting more than $100,000 a quarter on the books in recruitment advertising.

"The great thing is that right now we have the ability to go after every type of client," he says. "Most people have looked at radio in the past and said it was good for a job fair or to recruit low-level positions. We're getting a lot of high-tech firms on right now to advertise a lot of high-level positions. We're finally being accepted into the whole world."

"My goal for 1998," he notes, "is to have some stations or some markets doing a million dollars in recruitment." Stonick says that could happen as more and more companies find out about radio's ability to bring in people for the more prestigious positions.

A Look ahead

The strong economy apparent in the last quarter of 1996 continued in 1997. Robert J. Coen, McCann-Erickson senior vice president and director of forecasting, predicted in his June 1997 "Insider's Report" on advertising expenditures that total national radio advertising would increase 6.8 percent in 1997 over 1996; he also predicted that total local radio advertising would increase by 8 percent.

I believe that 1998 will be a year of investing more time and effort in results-based advertising and the education of local-direct advertisers on how to get the most out of radio. It would be nice to see radio groups become more involved with presenting marketing seminars to show clients the real power of radio and how to take full advantage of this exciting "theater-of-the-mind" medium.

As radio vies for more ad dollars, clients will inevitably expect more from the industry in 1998. Eric Studer, vice president of marketing services for Motel 6, says he would like to see stations do a better job of bringing promotional opportunities to the table.

"What I see happening is the radio rep calls you and tells you to get rid of TV and spend more money with radio," he says. "Then the TV rep calls you and tells you should get rid of radio and spend more money with TV." Studer notes that most advertisers are wise enough to know what is working for them and that stations should spend more time developing more unique and innovative radio promotions to move product.

Studer also feels that radio stations need more systems to ensure that commercials that hit the air don't prompt listener "tune-out."

"Stations have got to stop doing ads with DJs who speak to consumers like they're idiots," he says. "Do I really want a Tom Bodett commercial right next to a screamer car ad? Often you're judged by the company you keep."

Studer says when a listener tunes out or punches the button when a "screamer" ad comes on, radio and advertisers lose out.

There is no denying that the unified pro-radio message communicated in 1997 has the medium back on the right track. In 1998, I believe we will see groups with multiple sales staffs perfecting their systems. We will also see the different radio groups working together like never before.

With radio's new image taking hold, the stage is set for a larger share of advertising dollars in 1998. As advertisers seek to target more segmented demographics, they will continue to find that radio comes through with great products and highly effective marketing. More important, radio reps will have more respect for each other and the industry.▼

Doug Burton is creative services director for Trumper Communications stations KISN(FM), KRKR(FM) and KUMT(FM). He can be reached at (801)262-9797.

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*patent pending

Frank Montero

"Radio landed squarely in the middle of Wall Street in 1997."

At the end of 1996, many took a deep breath and reflected upon how dramatically the radio industry had changed in just 12 months. It has been said that 1996 was the year that radio moved from the studio into the corporate boardroom.

It is hard to believe how trivial some of the changes of 1996 were in comparison to what 1997 has brought. If radio moved into the boardroom in 1996, then the medium landed squarely in the middle of Wall Street in 1997.

In 1996 we saw ownership deregulation spawn a buying frenzy in which a cluster of some two dozen large group owners vied for ownership of the smaller independent regional groups around the country. But in 1997, after the sharks had finished eating the minnows, the whales started eating the sharks. In 1997, radio prices, especially those in major markets, continued to climb to an all-time high, with companies paying 12 or 13 times cash flow for station properties, and, in some instances, closer to 17 or 18 times projected cash flow in the larger transactions.

It was a bonanza year for radio stock prices on Wall Street with some companies showing increases of more than 50 percent in the value of their publicly traded shares. In contrast, many of the large groups that existed in January, such as ARS, SFX, Paxson, Secret Communications and EZ Communications, are now divisions of larger public companies. In turn, many of the companies that have survived 1997, such as CBS, Hicks Muse, Jacor and Clear Channel, have emerged as diversified media giants, investing in a wide array of ancillary endeavors such as tower site management, network programming and distribution and national sales representation.

Washington has reshaped the way radio is regulated by the federal government. In 1997 the Congress and the FCC formally announced that they would begin auctioning future radio frequencies to the highest bidder. The FCC auctioned off the first licenses for a satellite-delivered digital audio radio service known as DARS. Radio owners were given a new level of flexibility in the operation and ownership of their stations.

While the White House, Congress and the NAB continue to debate the need for limitations on alcohol advertisements, the FCC, following an order of the U.S. Court of Appeals, has started lifting its restrictions on the advertisement of casino gambling. At the same time, proposals have emerged to lift or loosen the radio and newspaper cross-ownership restrictions, as well as other traditional operating requirements such as the main studio rule and aspects of the EEO rules. Meanwhile, the Justice Department antitrust division began to replace the FCC as the principal watchdog of market consolidation.

In 1997, many small and minority-owned broadcasters complained that the FCC has been insensitive to their needs and began to lash back. In the summer, Jesse Jackson spearheaded a high profile meeting with FCC Chairman Hundt to complain that the agency was failing to assist minority broadcasters; in August, the Commerce Department released its annual compilation of minority ownership in broadcasting that showed the percentage of minority-owned commercial broadcast stations had decreased to a mere 2.8 percent. Meanwhile, a newly formed association of small independent AM broadcasters began petitioning the FCC for assistance.

If all this was not enough, before year's end, the White House was in a position to nominate four new commissioners to the FCC, including a replacement for Chairman Hundt. His successor is FCC General Counsel Bill Kennard, who will be joined by fellow newcomers Gloria Tristani of the New Mexico State Corporation Commission, Michael Powell of the Justice Department and son of General Colin Powell, and Harold Furchtgott-Roth, chief economist of the House Commerce Committee. The sole incumbent is Susan Ness. Sadly, the radio industry saw one of its own step down from the FCC with the retirement of the venerable James Quello. The loss of Quello marks the first time in decades that at least one of the commissioners is not a former broadcaster.

As in late 1996, many are saying to themselves, "What could happen next?" Will station values keep going up? Will radio stock prices keep going up? Will the few remaining radio conglomerates begin eyeing each other for acquisition? Will the new makeup of the FCC change the course that the commission has taken in the past two years?

Let's take a closer look at where we are and peer into our crystal ball to see where we expect to be in the next year.

The marketplace

In 1997 we saw a banner year for radio station values and stock prices on Wall Street. In August it was announced that radio ad revenues were up 12 percent,

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“Already, we are seeing a move away from major market radio acquisitions.”

which marked the fifth straight year of radio revenue increases.

The year bore witness to some of the biggest mergers in radio history. It all started with the Chancellor Broadcasting, Evergreen Media and Viacom Radio merger in February, valued at $1.5 billion, which raised the radio holdings of Texas-based Hicks Muse to 267 stations. That same month, the previously announced Tichenor/Heftel Broadcasting merger was consummated under the custodial watch of Clear Channel, which owns the lion's share of Heftel stock and played matchmaker in the Tichenor merger.

In the early summer, everyone had a hard time ignoring the fact that SFX stock climbed from $32 per share to $60 per share, and soon there were rumors abounding that the company was in play. After several courtships with CBS and Clear Channel, Hicks Muse, through its Capstar subsidiary, emerged as the victorious bidder at $2.1 billion, and all this on the heels of Hicks Muse's announced bid for LIN Television only two weeks earlier.

At the NAB Radio Show in September, a favorite spot for announcing engagements, weddings and divorces, everyone waited with baited breath to see what would happen. But even with the anticipation, CBS's Mel Karmazin stunned the crowd with the announcement that ARS, with 99 stations (which include those that the company picked up when it bought EZ Communications only five months earlier) would become part of the Westinghouse/CBS family, bringing the company holdings to 175 stations.

Now there are rumors that radio giant Jacor, with its 163 stations, is in play; and there is a possibility that Hicks Muse's acquisition of LIN Television may be challenged by Raycom.

Some analysts have begun to wonder how far it will go. Like stock prices generally, some brokerage firms have begun to downgrade their rating for some of the larger radio stocks for fear that they may already be well-overpriced. Given the exorbitant prices that are being paid for station assets and company stock acquisitions, there is generally a fear that these companies must meet unrealistic goals in order to pay off the debt loads that they are carrying for these acquisitions, which in some cases involve payment of more than 15 times projected cash-flow multiples.

To pay off such heavy debt loads, these companies are faced with having to raise spot rates to higher and higher levels. A prime mover, of course, has been the equity that has accrued through the ever-increasing stock prices of these companies, and the fact that many of them now have virtually bottomless credit facilities and very deep-pocket investors. The worry is that we may begin seeing a trend in which this dramatic growth in stock prices goes flat and eventually takes a downturn. This is precisely what happened in the real estate boom and eventual bust of the 1980s.

Analysts like George Reed, a member of the brokerage firm Media Services Group, believe that 1998 will be another record year. Reed: “We do not expect station prices to increase from their current levels.” Reed places these levels at about 10 to 12 times cash flow. Nonetheless, barring a significant outside event such as a major stock-market correction or a dramatic increase in interest rates, Reed believes that “1998 should represent another year of strategic buying at prices and multiples very favorable to the seller, but which can be justified by the buyer based on consolidation economies.”

While some brokers like Reed do not foresee a softening of station prices, others believe that the market cannot sustain the station valuations that were seen in 1997. Investment banker Stewart Cahn of Cahn Capital in New York says that “radio multiples should decline in 1998 as the biggest wave of consolidation concludes in 1997.”

“Should interest rates increase in 1998,” Cahn warns, “multiples would further decline as broadcast debt is highly sensitive to long- and short-term interest rates.” In fact, some believe the focus of market activity could conceivably shift in 1998 to smaller-market acquisitions and also to television.

Already, we are seeing a move away from major market radio acquisitions. As many of the large radio groups max out their holdings in the top markets, Cahn believes that there may be greater attention given to smaller markets and strong signal AM acquisitions. George Reed agrees. “The large groups are moving ‘down market’ out of necessity,” he says. “Consolidation is virtually complete in the top 50 markets, and the low-hanging fruit has already been picked in markets 51-100.”

It is conceivable that as we enter into mid-1998 we will see a slowing down of the merger mania that the radio ➡

> **"Increased Justice Department scrutiny and the new FCC Commissioners will place their mark on the way radio stations are bought and operated."**

industry witnessed in 1996 and 1997. At the same time, radio stock prices may dip, reflecting the realization that it is time to get to work and pay off these bills. George Reed points out that "public companies must grow earnings in order to grow their stock prices. As long as the acquisition capital is plentiful, transactions will get done."

However, Reed notes that "in addition, there are several new private companies that are well-funded and are seeking to reach critical mass in a hurry. Expect several small IPOs from this group in 1998."

The Washington scene

In Washington, the word is auctions. Everyone is waiting to see how the new radio auction rules are implemented and how high the bidding prices will go. In the past the FCC has had a rocky road with auctions. While the commission has contributed its share toward balancing the federal budget through the auctioning of many wireless telecommunications frequencies, this will be the first time that radio station channels go on the block.

The wireless auctions were frequently held up by appeals and requests for reconsideration of the bidding and qualification rules, especially those for frequency blocks that were set aside for small businesses and minorities.

Some believe that we may see a trend in which larger groups crank out applications to participate in every frequency that is open for application, regardless of their interest in the channels. Others believe, however, that as FCC Chairman Kennard may try to take steps through the auction process to address the complaints of some small and minority-owned broadcasters that they are being excluded from the airwaves through consolidation.

On other fronts, we can expect the Justice Department to continue increasing its scrutiny of major radio transactions. Just this year the Justice Department has held up several proposed acquisitions in the radio industry, and in some cases has forced owners to divest themselves of certain stations before receiving DOJ approval.

Some believe that, as the FCC has deregulated station ownership, the Justice Department and the Federal Trade Commission, which also reviews large mergers, will see this as an opportunity to fill in the void and increase their presence in an industry that has, in the past, been largely beyond their reach due to FCC restrictions. Already the Justice Department has begun fine-tuning its merger guidelines for broadcasters. Radio owners may be well-advised to expect market consolidations in excess of a 35 percent market share to trigger a possible DOJ investigation.

Predictions

Based on 1997 financial trends in the radio industry, it is likely that radio stock prices will continue to climb during the first half of the new year. I frankly do not believe that the merger mania has quite run out of gas yet. And we may see a few surprise acquisitions among the major owners before the year is out. After all, Tom Hicks has sworn to be at 1,000 stations before the end of the century. However, I think that station prices will begin to level off.

I do not agree with many of the doomsayers who predict that the bottom will fall out of the radio market as it did with real estate in the early 1990s. I think the boom may be over and we may be seeing the peak for station prices. Once we move into the latter part of the year, especially if interest rates climb and the FCC lifts aspects of the television duopoly rules, we may see radio prices begin to come down. On the other hand, we will likely see a flurry of television acquisitions as the major group owners look to continue their diversification into that area.

In Washington, we are likely to begin seeing the first of the radio frequency auctions toward the end of the year. This will initiate a small flood of FM construction permits, many of which have been frozen in the stalled comparative hearing process for years. Few of these stations are in major markets and many are smaller Class A facilities. However, as 1998 draws to a close and 1999 begins, we may see many of these stations coming on the air. Along with the AM expanded band stations, which will begin coming on the air in 1998, we'll see a new source of programming and competition.

When all is said and done, in 1998 we may see a shift from the trend of the last two years during which radio prices and values continued to climb while government ownership deregulation loosened restrictions on the industry. The buying mania will slow down as the large group owners settle into their role as operators and the focus shifts to television ownership reform. At the same time, increased Justice Department scrutiny and the new FCC commissioners will place their mark on the way radio stations are bought and operated. ▼

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Harry Cole

Cole knows what condition the commission is in

The aftershocks of the 1996 Telecom Act continued to be felt at the FCC this year. Consolidation in the radio industry rocketed forward at a dizzying clip. From one day to the next it was hard to know for sure who owned what. The FCC, apparently taking its cues from Congress' clearly permissive attitude (as reflected in the Telecom Act), has pretty much rubber-stamped just about any proposed assignment. transfer or merger put in front of it. The Justice Department at first seemed a little more leery of some deals that struck it as possibly threatening competition in certain markets, but by year's end even the DOJ seemed to have become comfortable with the newly enhanced level of consolidation.

Meanwhile, back at 1919 M Street, there was little in the way of major overhaul on the broadcast side. The conventional wisdom has been that the commission under Chairman Hundt has been less interested in broadcasting than previous commissions. The result has been a relatively stable regulatory environment with no new rules or policies designed to make broadcasters miserable. Indeed, the lack of eighth floor attention appears to have enabled the processing staff within the FCC Mass Media Bureau to settle down into a nice groove, acting expeditiously on routine applications of all sorts. In fact, the FCC actually helped the application process along some in August, when it reduced the filing requirements for a variety of modification applications.

While these changes may not be earth shattering, they should be welcomed by any operator who wants to upgrade without undue muss and fuss.

The expanded band

In 1997, the commission was able, at long last, to crank out yet another version of the expanded AM band decision. While two challengers have sought reconsideration of that decision, all indications at this point are that the FCC will stick with its decision and try to get the lucky 67 stations migrated up to the expanded band as soon as possible.

The commission also finally released its new version of OET number 65, which provides a "how-to" approach to compliance with the FCC RF standards. This item had been on the commission to-do list since August 1996 when it adopted new RF standards. There are no real surprises here, and now those new RF standards, which have been waiting in the wings for more than a year, can take effect.

In 1997, the commission also readopted its schedule of standard fines and forfeitures. Again, there is nothing here that is likely to change anyone's life. The commission had tried to adopt this schedule several years ago simply by announcing it as a new policy. The U.S. Court of Appeals, however, told the FCC that if the commission wanted to adopt such a schedule, it would have to use a formal rulemaking proceeding to do so. The commission has now jumped through that particular hoop.

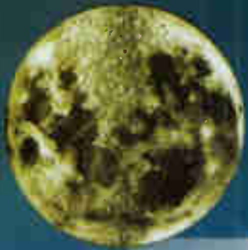
This past year, the FCC also briefly skirmished with the idea of regulating liquor ads. This issue flared up when several television stations began to air ads for hard liquor. A hue and cry was raised by various elected officials and others, and the FCC (primarily through Chairman Hundt) made noises hinting that some greater commission involvement in such matters might be appropriate — the suggestion being that the broadcast of hard liquor ads might be contrary to the public interest. The trouble with that suggestion, of course, is that if it is true, then it is difficult to defend the broadcast of ads for other alcohol products (wine and beer, for example), which have long been on the air. By year's end, this topic seemed to have fallen back off the radar screen, at least temporarily.

Turnover

What's in store for 1998? For openers, we'll all be having to learn the names of four new commissioners. The agency will enjoy (or suffer) an unprecedented 80 percent turnover at the top, with four incumbents going away and four new appointees taking over. Only Commissioner Susan Ness will remain from the current commission. The new chairman is none other than Bill Kennard, the current general counsel and a former staffer at the NAB. So as a practical matter, it is safe to assume that the commission will be led by a chairman who is attuned to broadcast issues.

The other new commissioners, however, are less easy to gauge. One is a congressional economist who supposedly does not even own a television. Another is a DOJ attorney whose focus appears to have been more on antitrust policies than broadcast matters. And the last is a member of the New Mexico State Corporation Commission, which regulates intrastate telephone service.

Presumably, consolidation of radio ownership will continue under the new commission. The pace is likely to slow down, if only because many of the obvious mergers already have been accomplished. And it is possible that some of the new commissioners (and maybe even some folks in Congress) may begin to rethink the wisdom of



> **"Perhaps the most interesting development of 1997 likely to affect business in 1998 is the specter of broadcast auctions."**

allowing such a reduction in the number of different broadcast owners. Already we are starting to see articles being published questioning whether the resulting reduction in "diversity" of programming is in the public interest But even if such talk does increase, it is doubtful at this point that anyone will be able to put that particular genie back in the lamp. Having authorized — indeed, encouraged — this consolidation, Congress and the commission would have a very hard time if it tried to require divestiture of any sort.

Broadcast auctions

Perhaps the most interesting development of 1997 likely to affect business in 1998 is the specter of broadcast auctions. In the Balanced Budget Act of 1997, enacted in August, Congress authorized the FCC to dole out new broadcast channels through an auction process. The commission is now hard at work devising the mechanics of that process — look for broadcast auctions to be in place in early 1998.

The initial broadcast auctions will probably have little if any effect on existing licensees. After all, Congress authorized auctions only with respect to applications for new permits. The trouble with that is that, ultimately, that system will lead to two types of broadcast licenses: those that were acquired through auction, and those that were not. Is it much of a stretch to assume that, at some point, some legislator may wonder why, if some licensees had to pay the government for their licenses, all other licensees should not also be made to pay for their licenses as well? In other words, if Congress at some point sees previously outstanding, non-auctioned licenses as a potential source of revenue, the fact that some virtually identical licenses were paid for through the auction process may encourage Congress to attempt to exact some similar payment for those old, pre-auction licenses.

This is pure speculation at this point. But it is not completely crazy. After all, the "new" channels, which are subject to lottery, consist primarily of FM stations in relatively small, remote communities. In other words, they are not likely to be worth anything like full-power 100 kW stations in major markets. Thus, to the extent that Congress hopes to fill the government coffers through an auction, Congress is likely to be disappointed. But if some way could be found to charge existing broadcasters for the privilege of retaining their extremely valuable major market licenses, that disappointment would likely be reduced considerably.

For now, look for auctions of new channels in early 1998. But don't be surprised if, sometime around the turn of the century, the government starts making gruntlike little noises (with references to these auctions) that may end up costing you more money.

DARS

Another dark cloud on the radio horizon is DARS — satellite digital audio radio service. The idea of a satellite-delivered digital programming service has been kicking around for several years. In 1997, the commission finally authorized the service and issued two licenses. However, don't look for that service to come on-line in 1998. DARS requires that the provider have satellites flying around, and at least one of the two DARS licensees doesn't plan to launch its first bird until 1999. Still, DARS is coming, and no one should be surprised when it finally gets here.

On a more mundane level, we may look for even greater deregulation of routine day-to-day matters in 1998. For example, the commission is looking at ways to relax the local public file and main studio requirements. But don't look for any change in the regulation of indecency or equal employment opportunity. Both of those items are political hot potatoes that the FCC has shown no desire to touch. Can you blame them? Who wants to be the government official who suggests that announcers can swear to their hearts' content on the air, or that broadcasters can discriminate in their hiring?

On EEO, unfortunately, the FCC focus will probably continue to be more on record-keeping than on actual discrimination. As a general matter, the commission has not been fining for discriminatory conduct; rather, it has been fining because licensees have not maintained all the records necessary to demonstrate that they have not discriminated. The moral here is that, while you should definitely not discriminate, you definitely should keep complete records of your hiring and promotions.

If you have any questions about any of these particular areas, you should be sure to contact your communications counsel. ▼

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Management Journal

Vincent M. Ditingo

1998 looks to be a coming-of-age year for radio

Without question, deregulation left its calling card in 1997. From buying and selling radio properties to daily business transactions, the impact of deregulation has been felt in virtually every radio market in the United States. For the commercial radio industry, 1997 was clearly defined by the rapid-fire emergence of local-market radio groups or "multiopoly" operations realized through a variety of station acquisitions and mergers.

In many cases, these local station minigroups, which have become very visible in the media marketplace, began to function like minicorporations sporting their own group heads. With no national limits and relaxed local-market ownership rules, not to mention a strong economy complete with low inflation and interest rates, the multiopoly blueprint for radio ownership became the norm in 1997.

Investor-friendly

As the year progressed, Wall Street investors and banks showed an increasing level of interest in radio. This level of interest was significantly greater than it was in the mid-1980s when the industry experienced its first round of deregulation. (In recent years, more and more radio companies have turned to the public marketplace to raise capital.)

From the financial community's vantage point, radio companies inherently have much lower operating costs across more fixed assets than other kinds of major media companies, leading to a greater level of predictability. Given a strong economy like the present one, the end result is a potentially profitable return on investment dollars.

A main byproduct of this interest among investors is more station financing opportunities. But the larger group deals have also led to a higher standard for determining station valuations across all radio markets.

The acquisition frenzy that permeated the industry in 1997 took on a life of its own, pacing much quicker than most broadcast lobbyists and government officials who fought for the deregulation legislation that appeared in the Telecom Act last year ever anticipated. In fact, many radio station personnel will say that they would hesitate to take long trips for fear that their companies would have merged into others by the time they got back.

Spurred by new local station structures, the commercial radio industry is now shifting to the next plateau for growing audience share. Multiple common ownership in the same market has given managers and owners broader marketing capabilities in selling station inventories, particularly during tight times, leading to significantly more advertising dollars.

1998 promises to be a year in which radio will approach its long-sought mission of becoming the major demographically based consumer advertising force within media. It will be the coming of age of radio in the new multiopoly era.

With a large measure of radio's advertising growth stemming from new business development, more station and local group sales managers during the coming year will be turning their attention toward the technology-driven fields of telecommunications and computers.

For example, due in large part to the deregulatory provisions for the telephone industry set forth in the 1996 Telecom Act, which effectively breaks down the barriers to competition in both local and long- distance services, new carriers as well as new local and regional services from existing carriers have been entering the marketplace. The evidence supporting this trend is already mounting on the national side.

According to an Interep analysis of Competitive Media Reporting's LNA data, the communications and public utilities category for radio ad spending (national spot and network radio) is being projected to reach $216 million in 1997, up 38 percent from $156 million in 1996. This category includes telephone and cellular phone companies and services.

Meanwhile, driven by the explosion in PC ownership, ➡

"1998 promises to be a year in which radio will approach its long-sought mission of becoming the major demographically based consumer advertising force within media."

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➡ continued from page 19

Internet access and home offices, national radio expenditures in the broad-based category of computers and office equipment are expected to reach $82.2 million in 1997, an increase of 63 percent over the previous year. (The Interep projections are based upon first half 1997 spending patterns compared to those of first half 1996.)

The major advertiser categories anticipated to show the highest percentage gains in national radio spending in 1997, according to the Interep report, are sporting goods, toys and games, with an approximate 146 percent increase in expenditures; direct response companies, a spending category that was virtually nonexistent for radio several years ago, with an approximate 115 percent rise; and apparel, footware and accessories.

A primary marketing mission for radio leaders today is to secure many of the businesses and services stemming from the above growth categories as long-term advertisers locally as well as nationally. This is particularly important as the radio industry becomes further decentralized into mini-group operations.

More than any other time in radio's rich history, the competitive edge over other media will be achieved by servicing clients more efficiently.

The end result will likely be a greater emphasis on team selling — that is, one account executive or team member representing several stations of varying formats to an advertiser or media buyer. In many cases, team members will be empowered by local group management to make immediate selling decisions.

Radio has always been a service-driven business. The overall challenge for radio group owners and managers in 1998 will be to leverage individual station audience shares and not to force station package deals in making a formidable case to advertisers about radio's ability to attract customized audiences. ▼

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online radio

Kim Komando

The cyber-buzz is on all things Internet, radio-style.

Is the seemingly inevitable convergence of radio and the Internet a marriage made in heaven, or is it a shotgun wedding? I guess that all depends on how and when you look at it.

One thing is for sure. Despite all the buzz in 1997 about webcasting and "push" technology, the Internet is not likely to replace traditional radio as a delivery medium any time in the foreseeable future.

For the time being, this is a simple matter of economy. No matter how much you invest in Internet technology, it is still much cheaper, quicker and easier for your listeners to tune in using a low-priced radio instead of a $1,000 computer system. And it will remain that way for at least the next year, too.

What the Internet offers now and will offer within the immediate future is a very cost-effective and efficient way to complement traditional radio programming.

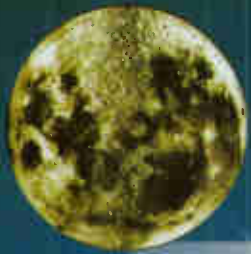
Consider the much-ballyhooed webcasting. Without the Internet, broadcasts are geographically limited to only those listeners within reach of the stations that elect to carry that programming. On the other hand, programming that is webcast is available to anyone on the entire planet who has Internet access. This includes areas where radio reception is poor, such as deep inside large office buildings, and areas where certain programming isn't carried at all.

The short-term benefit is the introduction of programming to new audiences. There is also a long-term benefit. Remember that each and every Internet listener must specifically request programming via his or her personal computer. This means that with the right tracking software in place, you can monitor not only exactly how many people access a webcast, but also the geographical location of those listeners. A large number of listeners from a region that does not carry certain programming over traditional radio could indicate that the region is ripe for such programming.

Copyrights

Does this mean that every radio station should be webcasting in 1997? Hardly. Of all the ways that a radio station can use the Internet, webcasting is by far the most costly. Furthermore, in terms of copyrights, webcasting was a Pandora's box that flew open in 1997.

Consider that this past July, BMI implemented two



> "The radio stations and syndicators that get the most from the Internet in 1998 will be those who take it seriously."

types of licensing agreements aimed at webcasting. The first grants a licensed web site the right to unlimited use of BMI-licensed music with no need to report traffic to the music web pages. The second agreement allows for the use of BMI-licensed music on a pay-per-impression basis. Impressions are calculated based on Web traffic to pages containing the music.

BMI also introduced an Internet licensing agreement known as the corporate image agreement. This license is designed for web sites that derive income not directly attributable to the playing of any music. A web site that promotes some sort of off-line business might fall into this category. With this license in place, such a business can use BMI-licensed music as part of its overall on-line presentation. It is clear that on-line licensing will only become more complicated before it gets easier.

If you're looking for a quick return on your Internet investment in 1998, webcasting probably isn't the way to go. On the other hand, if you'd like to make a long-term investment in the future of information and entertainment distribution, webcasting just may be worth a look as the new year begins to unfold.

Don't be afraid

So what can you do with the Internet if you decide to pass on webcasting for the time being?

"For starters, talk radio needs to embrace the Internet instead of being afraid of it, and come up with new and exciting ways in 1998 to marry it to their programming," says Paul Douglas, program director at news station WCNN(AM) in Atlanta. "Take a cue from the airlines industry and offer unique promotional opportunities to listeners who visit your web site."

In other words, just because you're not webcasting doesn't mean you shouldn't have a web site. On the contrary, I believe that every radio station on the planet should have a web site and if you don't, make this a 1998 short-term goal.

One edge that television and computers have over traditional radio is that they're both visual media. That's becoming a bigger and bigger deal with consumers. The more information consumers receive visually, the hungrier they get for visual information. The web lets you add a visual element to your programming.

For example, morning radio shows around the country are very popular for their far-out humor. But what about visual gags? It may be funny to hear an on-air host talk about running down the street wearing just his boxers, but it is even funnier to see it. With pictures on a web site, a listener will never have to say, "Gee, I wish I'd seen that." Seeing the action makes the listener feel more a part of the action, and that builds loyalty. Remember, membership has its privileges.

The radio stations and syndicators that get the most from the Internet in 1998 will be those who take it seriously. You can do a little, or you can do a lot. But whatever you do, just make sure you do it right. In that respect, a radio station is no different from any other business. I see plenty of companies flop on the web because they treat it as a sideshow rather than as an integral part of their overall business plan. Out-of-date information, web links that don't work, graphics that are too large and page layouts that look like kindergarten works are the surest ways to sound the death knell for a web site.

Keep in mind that the majority of people who use the Internet today are technologically savvy and take the on-line world pretty seriously. An amateurish attempt at an on-line presence may not only drive listeners away from your web site, but possibly from your broadcast programming as well.

It is clear that as the worlds of radio and cyberspace continue to converge, the rules are bound to change and new opportunities will inevitably arise. A true marriage of radio and the Internet will someday take place; it's just that the terms of the prenuptial agreement aren't clear yet.

While the Internet may not be an ideal companion for every type of radio programming day, it is imperative that you at least understand the technology and what it can do for you. Ultimately it will become a matter of when, not if, you make the leap into cyberspace. And if you don't leap in 1998, you may be left behind. ▼

 Kim Komando is a talk radio host (her show is syndicated by WestStar TalkRadio Network to more than 170 stations), TV host, Los Angeles Times syndicated columnist and best-selling author. Her web site can be found at http://www.komando.com

So what does it all mean?

In a nutshell, it all depends on *you*, and only *you* know what *that* means. You know your market conditions, your local community. You know your station. Armed with this knowledge, there are a few things you can probably point to with a fair degree of certainty, and they all have the potential to lead to growth and prosperity for your station.

If, that is, you pay attention to the signs. They are all around you, surrounding you as you conduct your day-to-day business, as Wall Street continues to give radio the financial thumbs-up and the power surge-strong dose of consolidation-mania that permeated our industry this year continues to be felt at nearly every turn.

For one thing, the Internet is here. It isn't simply coming some day. As Kim Komando so rightly says, "Ultimately it will become a matter of when, not if, you make the leap into cyberspace. And if you don't leap in 1998, you may be left behind."

Whether that means simply maintaining a web site or webcasting your station to the world isn't as important as your commitment to having a cyber-presence.

Commitment is everything, of course, and without it you may be left behind.

In 1998, you may find your station a bit behind the curve if you don't interface effectively with your local community. You may be left behind if your station resists the temptation to sell and become part of a larger group (maybe not). You may be left behind if your management team doesn't flex its collective creative muscle to ensure that your station's on-air product is the best it can be.

And even then you may be left behind if your toughest critics — your listeners — don't reward your efforts with high ratings.

So what can you do to make 1998 a great year for your station and radio? Keep on doing what you do. Follow the signs. And read this magazine every month. We'll keep you up to date on the latest trends that will affect your business.

And next December, when we gather again to assess the year past and look forward to the future, maybe we'll call on *you* for *your* thoughts. ▼

The Tuned In Quote Board

What managers are thinking

Q. What is your top management resolution for the New Year?

"Increase radio's share of the advertising pie."

George Nicholaw
Vice President and General Manager
CBS Radio, Inc.
KNX(AM)
Los Angeles, Calif.

"Get back to the basics of how radio advertising works. The power of sound is how everything is sold."

Jeff Coelho
Co-owner, General Manager
Pacific West Broadcasting, Inc.
KUMU-AM-FM
Honolulu, Hawaii

"Focus on developing more non-traditional revenue and corporate sponsorship."

Scott Schwartz
Vice President and General Manager
Marlin Broadcasting, Inc.
WTMI-FM
Miami, Fla.

"(Achieve) synergy with our sister stations and (win) over newspaper advertisers."

Mark Halverson
General Manager
Jacor Communications, Inc.
WHO(AM)/KLYF(FM)
Des Moines, Iowa

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Program Director
WKSF - Asheville, NC

"**RADIODATE is great.** We tie it in with our internet site and the results have been terrific! RADIODATE understands radio's challenges and they work with us closely to make it all happen."

Rodney Whitaker
Director of Internet Services
ARS - San Jose, CA

"**RADIODATE IS LIKE NEW-FOUND MONEY**, it has excellent pay-off and is like Christmas every month."

Chuck Dunaway
General Manager
KSYN FM - Joplin, MO

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Proceed With Caution?

Could be good advice.

It is not the best of times for broadcasters in Honolulu, the nation's 58th largest market, says Bob Rusk

On the surface, Honolulu would seem like the perfect radio market in which to live and work. The tropical weather, white sand beaches, cosmopolitan lifestyle — not to mention delicious Mai Tais — make the city the paradise of the Pacific.

But do a little digging and you will find that it is not the best of times for broadcasters in the 58th largest market.

A slow economy, caused by job losses in the construction and agriculture industries, has taken a toll on radio advertising revenue in Honolulu. Total revenue for radio stations here was just $24.2 million in 1996, according to BIA Research; projections are for but a small bump up to $25.2 million this year.

Howard Anderson, who owns three stations in Honolulu, KCCN-AM-FM and KINE-FM, echoes the words of other owners here when he says, "I don't think market revenue is going to increase" in 1998.

Mike Kelly, manager of Anderson's stations, all of which format Hawaiian music that targets separate demographics, says, "Unlike the West Coast and other parts of the mainland (where) the economy has gotten better, it has not gotten better here. In the 1970s and 1980s, there was a building boom in Hawaii with condominiums, hotels and apartment buildings being constructed."

Residential subdivisions also went up on land that housed pineapple plantations. But with the closing of the plantations, family wage jobs in the agriculture business were eliminated.

State Senator Sam Slom, a frequent guest host on talk station KHVH(AM), says that the boom was fueled by Japanese investment. However, he says, construction in Honolulu came to a sudden halt in 1991 as a result of the U.S. recession, and has not rebounded.

Cultural clashes

Complicating matters, according to Anderson, is the influx of broadcasters from the mainland who oftentimes do not understand the cultural differences that exist in the Aloha State. Despite being based in California, Anderson feels he does understand what it means to be a Honolulu broadcaster.

"Hawaii is a foreign country that speaks English," he points out. Some "broadcasters have come over thinking they'll show Hawaiians how to run radio stations. There are so many 'experts' from the mainland who have crashed and burned and their bodies are lying on the runway at Honolulu International Airport."

Anderson stresses that "The (Hawaii) business community is very self-supportive and does not like to be imposed upon. A lot of things that work well on the mainland may not work here. It has a great deal to do with the Hawaiian culture." As an example, Anderson points to King Kamehameha Day (June 11), which is "a big deal" in Hawaii. The Fourth of July, on the other hand, is "just a mainland holiday."

The man who bought KCCN-AM-FM and KINE-FM in 1994 (and owns three stations in California) previously served on the board of directors of the Polynesian Cultural Center, a major tourist attraction on the island of Oahu, near Honolulu. "I felt that I understood the business atmosphere over there," he says of his three-station purchase.

Barbara Brill, general sales manager at four of the seven Honolulu stations now owned by Patterson (soon to become part of Capstar Broadcasting Partners), suggests that "There is a definite sense that people from the mainland have to ease in gently."

Brill has been with Patterson in Honolulu for about a year (she previously worked for Bonneville International in Los Angeles, Chicago, and Phoenix). "Being on an island," she says, "you're always going to meet up with people. You're very careful not to burn any bridges along the way." She adds that this results in "people being more open and friendly," which makes it easier to meet clients. "(Everyone) works together much more closely and you run into (them) socially. You run into your clients a lot more than you might in Los Angeles."

The Patterson stations (which include top-rated KIKI-FM and KSSK-FM) are managed by Bob Longwell, who has also been in Honolulu for about a year; he came to Hawaii from Washington, where he managed WGAY(FM) and WWRC(AM).

Honolulu

Radio Market Overview

Station	Freq.	Format	1996 Est. Rev. in $ Mil.	Owner	Arbitron 12+ Summer '97
KIKI-FM	93.9	CHR	3.0	Capstar	12.1
KSSK-FM	92.3	AC	4.4	Capstar	9.8
KCCN-FM	100.3	Hawaiian	2.3	Diamond Head	9.1
KQMQ-FM	93.1	CHR	1.85	Caribou	8.2
KINE-FM	105.1	Hawaiian	.500	Diamond Head	8.1
KRTR-FM	96.3	AC	1.9	New Planet	5.9
KSSK(AM)	590	AC	2.4	Capstar	5.7
KGMZ(FM)	107.9	Oldies	.150	New Planet	5.3
KUMU-FM	94.7	Easy List.	1.0	Pacific West	4.9
KPOI-FM	97.5	Alternative	1.0	Caribou	4.7
KHVH(AM)	830	News/Talk	.750	Capstar	4.2
KKLV(FM)	98.5	Oldies/Rock	1.1	Capstar	3.4
KUCD(FM)	101.9	NAC	.550	Capstar	1.8
KHNR(AM)	650	News	.580	Chagal	1.6
KCCN(AM)	1420	Hawaiian	.200	Diamond Head	1.4
KHUL-FM*	102.7	Variety	.600	Caribou	1.4
KUMU(AM)	1500	Adult	.350	Pacific West	1.4
KAIM-FM	95.5	CC	n/a	B. Graham Evangelistic	1.3
KNDI(AM)	1270	Ethnic	.600	Bdcst House/ Pacific	0.9
KZOO(AM)	1210	Ethnic	.250	Polynesia	0.8

* Changed call letters from KDEO-FM during July 1997

BIA RESEARCH

Stations are ranked in order of Arbitron Summer '97 12+ ratings. Other information provided by BIA Research through its MasterAccess Radio Analyzer Database software.

"I'm very active on the street with the sales staffs and at promotional events," says Longwell, who was a guest conductor at the Honolulu Symphony Halloween concert this year. "Part of my social life gets tied into the business, and the line has quite frankly become blurred. If I'm out to dinner with clients or at a station concert, it is business. But I'd have to go to dinner or would probably want to go to a concert anyway."

Longwell says he enjoys the business. "If you don't totally love what you do nowadays," he admits, "it's probably going to be tough. We're all putting in more hours than we used to."

Working smarter and harder

Despite many differences with the mainland, Honolulu stations do share an important element with other markets, according to Longwell: "The process of selling, convincing people that we can help them improve their business. It takes a little longer; it takes better presentation skills. We have to work smarter and harder. Very little is handed to us anymore."

As part of the strategy at Patterson, which according to BIA took in about half of all the radio revenue in Honolulu last year, the stations are "starting to share information," says Longwell. "Traditionally radio has been a business of individual units going after each other. Quite frankly, it's been a problem for the image of the industry."

Longwell's sales staffs now meet once a month to "talk about accounts and ways they can work together. If we're going to help a client move product, we can do it with three, four, five or seven stations. If that works, all of the stations are better off, and radio is better off," he says.

A two-person team (a writer and a voice talent) serves all seven Patterson stations, producing creative commercials at no extra cost to clients. This is an added value that could not be provided, says Longwell, if the cost had to be spread over just one or two stations.

With Capstar soon to take over Patterson and the established strength of other out-of-state group owners such as New Planet Radio, KUMU-AM-FM is now the only locally owned and operated station combo (in fact, excepting Capstar, Honolulu is bereft of major group ownership). Jeff Coelho, who owns the KUMU duo, sees the arrival of Capstar as the biggest issue facing the market.

"They (will) control the lion's share of the (advertising) dollars, as well as the audience," he observes. "It'll be interesting to see what they (will) do and if there will be other big groups that follow them in."

Coelho feels his stations (the FM plays easy listening and the AM adult standards) offer a "unique product" and will be able to effectively compete with Capstar. "As long as we can keep our 'unique products,' our advertisers will recognize that we provide a benefit they can derive only from our radio stations."

The KUMU duo owner disagrees with the attitude that the radio station "with the most will be the winner." Coelho, a Honolulu native who has worked in the local radio market for nearly 35 years, explains that "to win in the long haul, you have to selectively target your market and identify who your listeners will be. It gets back to the basics of radio: Who am I reaching and how do I deliver that to the advertisers?"

Despite any philosophical differences, Coelho believes competition among stations "is good. It draws more attention to radio (and) brings more advertising to radio." Coelho's number one concern is competition from the two daily newspapers in Honolulu — the morning Advertiser and the afternoon Star-Bulletin — which he claims have a "monopolistic" advertising agreement.

Although the papers are not co-owned, they share one advertising staff. This, charges Coelho, forces advertisers to "buy both papers, leaving less money for radio. That hurts radio tremendously."

Larry Fuller, publisher of the Gannett-owned Advertiser (and president of the Hawaii Newspaper Agency, which sells ad space for the papers), has his own thoughts on the matter.

"Because of the Hawaii economy," he says, "everybody has become more competitive. People are going to advertise or not advertise with us based on whether or not we can produce results

A nod to a higher power

With thanks perhaps to a higher power, the Billy Graham Evangelistic Association owns KAIM(AM), the only 50 kW AM station in Hawaii. Reverend Graham purchased the station some 40 years ago from people who were involved in Youth for Christ, an organization in which he served as a vice president. The station's signal reaches to the Pacific islands of Fiji, Samoa, and Guam. Sister station KAIM-FM was the first FM station in the state.

Due in part to the evangelistic association's nonprofit status and the tight advertising market in Honolulu, the stations raise about half of their annual $800,000 operating budget through semiannual "Sharathons" (radio's equivalent to the Jerry Lewis telethon, according to general manager Del Gibbs.

"We go on the air for three days," says Gibbs. "Guests come in and host programs, telephone operators take pledges. We raise about $200,000 each time."

The stations, which receive no monthly operating capital from the association, raise most of the rest of the money they need by selling airtime for commercials and programs such as "Focus on the Family" and "Insight for Living." Additional income is generated by renting space on the station's tower.

"It takes a little bit of everything to operate the stations," says Woods.

- Bob Rusk

for them. That's true in radio, too. The competition has gotten more and more severe. Rather than pointing fingers at other media, I think the challenge for all of us (newspapers and radio) is to be able to demonstrate that we have the best added value for our customers."

Fuller says, in fact, that the papers steer business in the direction of radio. The Advertiser, he notes, is a "substantial user of radio, both to promote our classified advertising and to communicate what's in the newspaper every day. We'll be increasing our use of radio in 1998."

Vocal critic

While radio and newspaper factions battle it out for ad dollars, others cast their eyes on the value of the Honolulu market from a listener's perspective. Take Melvin Ah Ching, publisher and editor of the online Hawaii Radio & Television Guide (http://www.lava.net/~macpro/HIRadioTVhomepage.html), for example.

Ching doesn't like the direction radio has taken. With consolidation, what has resulted, he claims, "is kind of generic-sounding programming. It seems that within each ownership group, they are trying to carve out different kinds of radio formats on each of their commonly owned stations to hit upon different demographics. The competing group has about the same kind of programming ... to the point where everything on the radio sounds the same."

Patterson's KIKI(AM), however, has just taken a different approach, switching to country, the only station in Honolulu with that format. The station previously simulcasted with CHR/Rhythmic-formatted KIKI-FM.

A brand-new FM station went on the air here in October: New Planet's KXME(FM), a top-40 outlet that uses the slogan "Extreme Radio." But maybe there is nothing extreme about the station, as far as surviving in the market goes.

KXME General Manager Austin Vali, a 20-year Honolulu radio veteran, perhaps sums up the attitude of radio managers in Honolulu when he says, "The number of stations (in the market) doesn't matter. There's always room for a winner." ▼

Honolulu Financial Snapshot

Market Rank:	58
Revenue Rank:	64
Number of FMs:	15
Number of AMs:	17
Revenue 1993:	$20.2 mil.
Revenue 1994:	$22.3 mil.
Revenue 1995:	$22.6 mil.
Revenue 1996:	$24.2 mil.
Revenue 1997:	$25.2 mil. est.
Revenue Growth	
'90–'95:	n/a
'96–'00:	4.6%
Local Revenue:	90%
National Revenue:	10%
1995 Population:	880,500
Per Capita Income:	$17,076
Median Income:	$43,823
Average Household Income:	$52,980

Source: BIA RESEARCH

Music for adults?
On the radio?

Welcome to the world of adult standards.

Sandy Wells takes you on a sentimental journey

Products & Services

Welcome to the world of adult standards.

Chances are, to borrow from the Johnny Mathis favorite, that those who once danced to Guy Lombardo and his Orchestra and turned up Perry Como whenever his velvet voice came crooning through their radios now listen to adult standards radio.

The kind of music that is played on the adult standards airwaves "is undisturbing, sentimental, less sensual, more poetic, (and) of a simpler time," says research guru George Burns of Burns Media. Based in Malibu, Calif., Burns has been studying listening patterns and the shifts in cultural attitudes since 1972.

From the perspective of Americans living in the late 1950s, rock didn't just come in and take its place among the pantheon of music stars — it swept out the perceived-as-older sounds as part of a cultural movement that was as liberating for some as it was disconcerting for others.

Although middle-of-the-road radio stations competed successfully against rockers into the 1970s, the momentum lay with the "younger generation," which for myriad cultural and socio-political reasons rejected the attitudes of its parents and shunned their music. Before Elvis and The Beatles, both young and old were more apt to listen to the same sounds. Rock music kicked off the fragmentation of music preferences that is still in evidence today.

For Burns, the great divide came in the late 1950s, when rock supplanted older-style sounds as the preferred music of young people.

"When rock 'n roll came and killed pop music, everyone thought (the older-style music had) gone away," says Philadelphia nostalgia station WPEN(AM) Program Director Dean Tyler.

Starting in the late 1970s, MOR stations became albatrosses around the necks of owners burdened with high operating costs, hefty talent salaries and dwindling revenues.

"In its heyday, (Seattle station) KOMO(AM) had a staff of 45 to 50 people," says Broadcast Programming Adult Standards Consultant Nick Lacy. "There were three engineers in the building at all times." Lacy was music director for KOMO when the station enjoyed a 30 share of the Seattle market at its peak in the 1960s.

MOR Heritage

By the early 1980s, specialized local formats and satellite services emerged to fill the void left by the decline of such MOR giants as WIP(AM) in Philadelphia and KMPC(AM) in Los Angeles. These stations had thrived with bigger-than-life personalities, strong news departments and by mixing into their sound some standards by softer contemporary pop artists like Anne Murray and Engelbert Humperdinck.

Today, nearly 400 radio stations carry some form of the adult standards format. Most use syndicated programming "off the bird" from one of the three major satellite services: "Adult Standards" (Westwood One), "New Music of Your Life" (Jones Radio Network), based in part on Al Ham's original "Music of Your Life," and "Stardust" (ABC Radio Networks).

By the mid-to-late 1980s, services like these were signing up AM stations that had lost their audiences to FM or news/talk radio. Nowadays, the bulk of adult standards affiliates continue to be AM stations, although there are some glaring exceptions like number one-ranked Las Vegas station KJUL(FM), which carries the "Adult Standards" service.

Artists played on adult standards stations are fairly common across the board: Percy Faith, Johnny Mathis, Barbara Streisand, Simon and Garfunkel, The Carpenters and Barry Manilow. In other words, music that begs for listeners to dance the night away.

"Stardust" began "in 1982 as almost all big band music from the 1930s, 1940s and 1950s," says program director Dan Rafferty. These days, however, things are different. "Over the years we've changed and evolved," he says. "We play newer artists that record the standards," such as Bee Gees, Linda Ronstadt, Billy Joel, Mel Torme, Melissa Manchester, The Association, The Mamas & The Papas and The Supremes.

Newer artists seem to be popular with adult standards listeners. Larry Brewer, program director at number one-ranked Melbourne-Titusville, Fla., station WMMB(AM), reports that in the most recent annual audience survey of listeners' 100 favorite songs, Bette Midler's 1989 number one hit "Wind Beneath My Wings" reigned supreme.

But don't get the idea that the older-styled music is getting short shrift. It is at least maintaining visibility. "We've always played big bands," says WPEN's Tyler. "But we've sold it more than we play it — one an hour, a little bit more on weekends."

Dean Martin

For artists tossed overboard by mainstream AC stations playing the milder alternative and urban contemporary artists, adult standards radio has served as a welcome lifeboat for singers such as Streisand, Manilow and Neil Diamond.

Paragon Research Vice President Larry Johnson says that "People 45-to-54 seem to like (these artists)." He calls these listeners "the 'over-the-hill,' soft AC crowd. They're sort of the 'blown-off generation.'"

Johnson echoes the general belief among programmers that most listeners have their musical imprint made in their musically formative years, ages 15 to 22. The reality, however, is that younger adult standards listeners are less time-bound in their music tastes, opening the door to acceptance of more recent artists as the format evolves and the younger generation steers toward older-generation status.

"The intolerance for new music only applies to a segment of the older demo," says Burns. "The 50- to 60-year-olds are not the solid block they used to be. You used to be able to tell the audience by the age of the (song) title. It used to be that nothing current would appeal to an older person. In the 35-plus demo in the last five years, it is increasingly possible to get people up to (age) 64."

As the older, "intolerant" segment dwindles, the possibilities of a broader-appealing format emerge. Is this the end of the generation gap or the beginning of something new in music radio? After all, these days, adult standards radio listeners might hear Glenn Miller's "In the Mood" follow Gordon Lightfoot's "Sundown."

Face value

The pre-rock world took its music at face value. Music was there to entertain, to make a person laugh and smile or to soothe an aching heart. Music was not

Left: Simon & Garfunkel Right: Frank Sinatra

an extension of a listener's social identity or meant to reflect lifestyle or purchasing preferences. And, what's more, there was more variety.

"In the early 1960s," says Andy KcKaie, vice president of catalog development and A&R for Universal Music and Special Markets, "I might turn on the radio and hear '(The) Theme From 'A Summer Place' followed by 'The Twist' and then Bo Diddley." McKaie currently handles the marketing of artists that were on Decca Records, one of the premiere pop music labels of the 1950s. The Decca catalog includes Bing Crosby, Les Paul, The Andrews Sisters, The McGuire Sisters, Guy Lombardo, Judy Garland and Louis Armstrong, among many others.

Many of the new compilations McKaie is working on appeal to sophisticated younger buyers who may hear about them on public radio eclectic music shows like "Molotov Cocktail," which airs on trendy Los Angeles station KCRW(FM).

"We focus on the stores," says McKaie of his division's marketing strategy. "It's a shelf space issue to a great degree. We rely on the press and retail. It's not as much a radio-driven thing as (with) current music."

New compilations of pop standards artists generate sales, according to McKaie. Although the adult standards services are finding more new product in their mailboxes these days thanks to such compilations, local stations are still running up against record company indifference. "I'll call ... and say there's a new Carly Simon record we'd like," says Tyler. "They'll say, 'Oh, is there?' They're not really pushing it."

Why such indifference? Servicing catalog product to radio stations is a relatively new exercise for record companies. "In the past, a lot of stations had to beg for product (from reps)," says EMI/Capitol Associate Director of Promotions Jody Glisman. "We were the pioneers in taking catalog product and aggressively marketing it to stations. I think a lot of labels — for instance, Rhino and Sony — are starting to see how important catalog is."

The Loyalty Factor

"(Ours is) a very loyal audience. We're the only station that carries their music," says Susan Murray, general manager of Springfield, Mass. stations WMAS-AM-FM (WMAS(AM) carries "Stardust.")

Like most adult standards stations, Murray's audience stays put for long stretches: Females 35 to 64 tune to the 1,000-watt signal for an average 16 hours and 45 minutes a week, making it competitive with news/talk rival WHYN(AM) which logs about nine hours with the same group.

While respectable audience shares are not uncommon for stations playing Tony Bennett, Streisand, Frank Sinatra and the like, sponsors can be tough to come by. Murray sells WMAS(AM) in combo with the top-rated adult contemporary FM.

"I have a hard time selling (WMAS(AM))," says Murray. "The FM people won't sell it and I have a hard time finding sales people who will make enough calls. (Local advertisers) don't feel that there's enough people listening."

Yet with two AM signals in the area already succeeding with news/talk, adult standards still seems to be the best option for the western Massachusetts combo. WMAS owner George Lapin, a pops concert pianist, "loves" the music according to Murray, suggesting that loyalty to the format is not always dollar-driven on the part of ownership.

Murray has worked hard to demonstrate her audience's enthusiasm to advertisers. A recent station promotion filled three buses with listeners on a trip to Foxwood Casino in neighboring Connecticut. Murray says large crowds come out to meet local morning personality George Murphy at station remotes.

Perception

"The perception is that (55-plus listeners) don't buy things, that they already have what they want," says Paragon's Johnson. "That assumption warrants some empirical scrutiny. These stations vastly under-perform."

But when they do perform, the achievement is not accomplished without cost. Number one-billing adult standards station WPEN(AM) draws a large and loyal following with its home-grown programming, billing about $5 million annually, according to BIA Research. Local legends such as afternoon drive personality Joe Niagra, weekender Bill Webber and morning man Jerry Stevens light up the dial at 950 kHz.

But all this is not achieved without cost. "AM stereo, the personalities (and) state-of-the-art studios are part of the expense of making money," says Tyler. "But the margin of profit is less."

Yet adult standards stations keep moving forward. Murray says one of her goals for next year is to be local all day, if she can "get the billing up and pay for it. I know when

➡

(WMAS(AM)) did a million dollars a year, it was all-live until the recession hit in the early 1990s."

Commitment to programming and promotional excellence are essential for adult standards stations to build rapport with the audience.

"We're very active promotionally," says Dave Van Horn, vice president of programming at Peoria, Ill. station WOAM(AM), which carries "Stardust." "We don't look at it as the red-headed stepchild. We went from a 0.9 to a 4.0 in (our) first book and have a 6.6 share now with the longest TSL in the market. (Listeners) 'set it and forget it.'"

Station loyalty suggests that ignoring 45-to-54 year olds is to pass on a lot of spending power.

"This is the most affluent and most disposable-income-rich demographic in the country today," says Dave Smith, general manager at New Orleans station WBYU(AM) and a sales consultant for Jones Radio Network. "We're very attentive to the audience and its needs. We treat our station as a contemporary rock station would in terms of community outreach and remotes. The 45-to-50 demographic is where the heart of America's wealth lies. For operators (who) are committed to this format, it can be very rewarding."

Whether stations are running home-

Wink Martindale

grown programming or shows derived from Westwood One, Jones or ABC, the attachment on the part of listeners is not merely for the list of songs but also for the style of presentation and the warmth and credibility of the personalities sitting behind the microphones. Jones' "New Music of Your Life" sports a lineup that includes Gary Owens, Wink Martindale and Chuck Southcott. "Stardust" offers voices such as Midwestern legends Eddie Hubbard and Joe Lacina. "Adult Standards" features, among other talents, morning personality Jeff Rawlins.

"We are a little more aggressively upfront (in terms of our) personalities," says "New Music of Your Life" Program Director Southcott. "They all love the music. There's an intimate connection between presenter and listener."

Thanks to a variety of essential elements, the future of the adult standards format looks bright.

In fact, says "Stardust" Format Manager Dave Allison, there are "young people recording standards. Five or six years ago I couldn't get a record company to talk to me. Now I'm inundated with calls."

Artists like Laura Fygi and Diana Krall are among the new crop taking up the torch for the old melodies, finding ways to make them their own.

"I must receive three CDs a week from new artists doing the old music," says Southcott. "The revitalization started in 1983 with (the) "What's New" (album) by Linda Ronstadt. That's where it began."

The revitalization continues today, helped along by concentration of ownership, which may wind up brightening the picture for adult standards as more stations come on-line.

"Consolidation is creating a new niche, where FMs are now looking at us," says Jones Radio Network Vice President of Programming Phil Barry. "There are a lot of opportunities" because it is an "underserved" format.

New blood may be the answer. Hollywood's influence may be steering some young people to the standards. And don't count out the lounge side of life.

"The whole lounge thing is quite the rage," says Glisman. "It started with Tony Bennett opening for alternative acts in concert."

But will tomorrow's retirees, weaned on Led Zeppelin and AC/DC (or these groups' less antic counterparts) want to grow old listening to familiar songs recast in an adult standards light? The answer may depend not so much on the whimsy of the audience as on the ingenuity of radio programmers, both young and old. ▼

Sandy Wells, editorial coordinator for the Los Angeles Radio Guide, also reports on traffic for Metro Networks and is a host on Personal Achievement Radio. He can be reached via e-mail at: KPWR14a@prodigy.com

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Famous Last words

Hot Steamin' Christmas Songs!

When it is 100 degrees outside and your body becomes a virtual sponge, what do you do to take your mind off the heat? Why, you write a Christmas song, of course! You may be surprised to discover that the ho-ho-holiest of holiday tunes that grace your airwaves each and every December are written in the sweltering summer months when snow and snow removal are only a distant memory from the previous year.

Writing Christmas songs in the summer is a good thing, because it means there will be ample time to record them, get them in stores and on your airwaves.

Sometimes summer heat can be a good thing. Sammy Cahn and Jule Styne got the idea for their classic tune "Let It Snow! Let It Snow! Let It Snow!" while standing at the corner of Hollywood and Vine in the land of perpetual sunshine on a hot summer day in 1945.

"Why don't we go to the beach?" said Cahn to Styne.

"Why don't we write a winter song?" replied Styne.

Because the pair's publisher, the Morris Music Company, was closer to them than the sand at the beach, they headed instead for their office. Cahn banged out the words to "Let It Snow!" on a spare typewriter while Styne composed the music.

Mel Torme's perennial chestnut "Christmas Song" was born B.A.C. — Before Air Conditioning. It seems Torme was hanging out at the home of fellow tunesmith Bob Wells when he caught a glimpse of some words Wells had written to take his mind off the sweltering heat. With sweat dripping from his brow, Torme sat down at the piano and, within an hour, had set the words to music. "Chestnuts roasting on an open fire," anyone?

Sometimes summer heat has absolutely nothing to do with Christmas songs. A case in point: "Silver Bells," a plain old assignment taken on by three-time Academy Award winners Jay Livingston and Ray Evans for the 1951 Bob Hope movie "The Lemon Drop Kid."

Now, 46 years after the song was first heard, Evans credits radio with keeping the song alive and well.

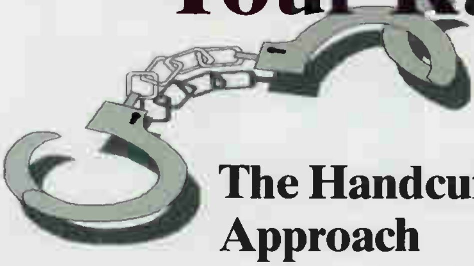
"There's no question about it," says Evans. "Radio has been very important to the song's longevity. Even rock stations play it, which is a great plus. I'm grateful to all of the stations that play the song — not only the old versions, but the new ones that come out every year."

So, bravo, radio, for keeping the Christmas spirit alive by spinning the hottest holiday tunes on the planet each and every year. And for giving something back to the writers who often toil under the hot summer sun, writing the next hit-bound holiday classics.

"Those Christmas songs sit on the shelf for 11 months," Sammy Cahn has said. "Then, every December, that's all you hear on the radio. Thank goodness for radio."

- Bob Rusk

There Are Two Ways to Run Your Radio Station!



The Handcuff Approach

Small and medium market operators literally handcuff themselves to their stations. We know, we've all been there. Get up at 4 am, sign on the air at 5 and the cuffs snap shut, chaining you to the operation for yet another day. You can't afford to hire another air personality to get you off the board, and that means you can't spend enough time on the street selling. You work hard to serve your community, but there's a real limit imposed by financial considerations. You'll work all day on air, selling, managing, and trying to pay the bills, then go broadcast a ballgame that night. You sign off knowing that a good chunk of your nighttime audience just tuned away to a competing station, and you'll have to fight to get them back the next morning. Then you do it all over again the next day.

You and your spouse haven't had a weekend off, let alone a vacation in the last 5 years. You feel lucky you have a dedicated staff, but it takes so many people to run the station that you simply can't afford to pay them what they are worth. You end up losing them as they move on. Your love of radio is frayed now by the financial realities of the business. You need to find a way to break out of the cycle and make station ownership what you always dreamed it could be.

The SMART Approach

You wake up at a reasonable hour in the morning. Your station has been on the air all night, and sounds great, using a SMARTCASTER Digital automation system. You make news calls and would normally drive in to the station to do the morning news report. But not today. You're going to take a well deserved day off and go fishing! The news still gets on the air because you use a SMART Touch digital remote control system for the SMARTCASTER, and can do it from a cellular phone. No one needs to be back at the station. You'll use the SMART Touch to do tonight's game when you get home. You have a small, well paid staff that is loyal and has been with you a long time. The community loves you and the station because that staff isn't chained to a control board, but is able to be out and about in the town, keeping your station involved with your listeners and your advertisers every day. You're making money, and you love being a part of the broadcast industry.

Like this picture? We have the answers! Contact us now!

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