

Manager's Business Report™

Radio Business Report, Inc.

16 Years

February 1999



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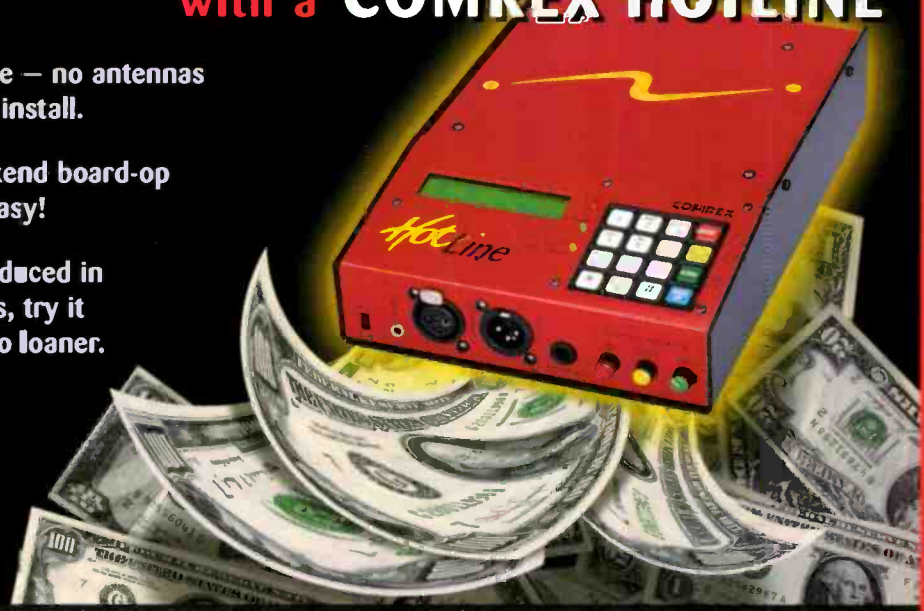
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MBR Stats

Nifty November increase adds fuel to the revenue record fire

An 11% overall gain in revenues during the month of November all but sealed a record year for radio. The gains over 1997 included a 10% jump in local revenue combined with a 12% gain in national business, and kept year-to-date gains at 12% worth of black ink. Regionally, local gains were even, with all five regions coming within plus or minus two of the national total. The East picked up 20% more national business, while the other four regions were in the 8-12% range.

Wall Street ended the year with a bang, and it pushed the The Radio Index™ to a record high. The happy times were primarily enjoyed by purists—radio owners and operators. Companies that serve the radio industry or operate significant television holdings did not fare as well.

Two major mergers have moved farther down the pipeline to completion. The Chancellor/Capstar merger may be history by this time next month. It will have no impact whatsoever on total industry ownership consolidation, however—the pre-existing common ownership between two companies has already been factored into local consolidation restrictions. The other merger, Jacor into Clear Channel, has put stations on the block in five large markets, which could have a small affect on the total.

Radio Revenue Index

Sales staffs salt away 75 solid months of gains

Bill Clinton had yet to unseat George Bush the last time radio had a down month for revenues. The winning streak is now at 75 months and counting. November continued a mini-streak of double-digit gains. Local business was up 10% and national was up 12% for a combined gain of 11%. This maintained the industry's 12% growth rate for the year so far. It is now almost beyond doubt that radio will outperform all revenue predictions and enjoy its most prosperous year ever.

Nov. 1998	Local	National
All markets	10%	12%
East	11%	20%
Southeast	10%	12%
Midwest	9%	8%
Southwest	9%	11%
West	12%	9%

Local & Nat'l revenue November 1998
All markets **11%**

Jan.-Nov. 1998	Local	National
All markets	11%	15%
East	10%	16%
Southeast	10%	19%
Midwest	9%	14%
Southwest	11%	14%
West	13%	15%

Local & Nat'l revenue Jan.-Nov. 1998
All markets **12%**

Forward Pacing Report

Spot pacing: Sales start out strong in '99

If 1998 turns out to be a record-breaking year for revenues, and 1999 spot inventory is already selling at a faster rate than 1998, that's good, right? And just think about all the companies that will be posturing for the new Millennium as 1999 draws to a close.



Superduopoly Dimensions

Industry Consolidation (as of January 18, 1999)

Superduopoly: 48.5%

Market	# of stns	percent
1 to 50	771	52.8
51 to 100	559	51.9
101 to 150	376	46.1
151 to 200	355	43.0
201 to 261	363	44.6
All markets	2,424	48.5

Total Industry: 72.4%

Market	# of stns	percent
1 to 50	1,129	77.4
51 to 100	796	73.8
101 to 150	556	68.1
151 to 200	577	69.9
201 to 261	559	68.7
All markets	3,617	72.4

Note: The "# of stns" shows the total count for stations in either a superduop or, in the case of total industry consolidation, in an LMA, duop or superduop. The "percent" column shows the extent of consolidation for each market segment.

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1998 Stock Performance

Radio stocks ended 1998 with a bang—taking The Radio Index™ to its first record in more than five months. While radio companies generally had a good year, it was more of a mixed picture for broadcasters whose primary business is TV and for radio-related companies.

Company	12/31/98 Close	1998 Gain/Loss	1998 Gain/Loss
Ackerley	18.250	1.313	7.75%
Alliance Bcg.	1.000	0.750	300.00%
Am. Tower	29.563	20.250	217.43%
AMSC	5.250	-1.750	-25.00%
Belo Corp.	19.938	-8.125	-28.95%
Big City Radio	4.063	-4.063	-50.00%
Broadcast.com	76.500	58.500	325.00%
Capstar	22.875	3.875	20.39%
CBS Corp.	32.813	3.375	11.46%
CD Radio	34.250	17.313	102.22%
Ceridian	69.813	24.000	52.39%
Chancellor	47.875	10.563	28.31%
Childrens Bcg.	2.938	-1.125	-27.68%
Citadel	25.875	9.875	61.72%
Clear Channel	54.500	14.781	37.21%
Cox Radio	42.250	2.000	4.97%
Crown Castle	23.500	10.500	80.77%
Cumulus	16.625	2.625	18.75%
DG Systems	5.563	3.063	122.50%
Disney	30.000	-3.000	-9.09%
Emmis	43.375	-2.250	-4.93%
Fisher	66.000	6.000	10.00%
Gaylord	30.125	-1.813	-5.68%
Granite	6.000	-3.062	-33.79%
Harris Corp.	36.625	-9.250	-20.16%
Heftel Bcg.	49.250	2.500	5.35%
Infinity	27.375	6.875	33.54%
Jacor	64.375	11.250	21.18%
Jeff-Pilot	75.000	23.083	44.46%
Jones Intercable	35.625	18.188	104.30%
Metro Networks	42.625	9.875	30.15%
NBG Radio Nets	2.125	1.458	218.75%
New York Times	34.688	1.625	4.91%
News Comm.	0.438	-1.000	-69.55%
OmniAmerica	32.000	19.250	150.98%
Otter Tail Power	39.875	2.000	5.28%
Pacific R&E	1.625	-1.750	-51.85%
Pulitzer	86.625	23.813	37.91%
RealNetworks	35.875	22.000	158.56%
Regent Pfd.	7.000	1.000	16.67%
Saga Commun.	20.500	3.500	20.59%
Sinclair	19.563	-3.750	-16.09%
SportsLine USA	15.563	4.813	44.77%
TM Century	0.313	-0.313	-50.00%
Triangle	0.032	-0.593	-94.88%
Triathlon	11.250	0.750	7.14%
Tribune	66.000	3.750	6.02%
Westower	36.500	24.750	210.64%
Westwood One	30.500	-6.625	-17.85%
WinStar Comm.	39.000	14.063	56.39%
Major Stock Market Indices			
The Radio Index™	120.660	20.660	20.66%
Dow Industrials	9181.430	1273.180	16.10%
Nasdaq comp.	2192.690	622.320	39.63%
S&P 500	1229.230	258.800	26.67%

Look for the premiere addition to Manager's Business Report in this issue.

A new feature on page 8.

GM Talkback™

Each month, we are asking a few General Managers from around the country to share with us and you, their view of the industry. This month read how New Century's Bob Case, GM of KEDJ, KDDJ, KGME and KHOT Phoenix and other GMs talk about their changing roles in the consolidation environment. Don't miss this! And watch your fax for our questionnaire.



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MBR Stats

Urban, Hispanic listeners undervalued

Urban stations claim 13.1% of all listeners in the top 10 Arbitron markets, yet according to BIA, pocket only 10.7% of radio revenues generated there. This results in a power rating of 82, significantly below the break-even point of 100. Hispanic stations fare even worse. Although they claim 10.8% of all listeners, they bank only 6.3% of all revenues, resulting in a power rating of 58. Only Religious and Standards stations have a lower rat-

ing. News-Talk-Sports claims the lion's share of both listeners and revenues (19.6% and 25.4% respectively), for a robust power rating of 130. Only Rock's 137 rating is better. AC, Oldies, Alternative and Country also outbill audience share. Jazz/NAC and Classic Rock are near par, while CHR and Classical are among the underperformers. Below are combined totals for the top 10 markets, plus individual results for the top five.

Top 10 Markets

Format	Stns	Aud. Pct.	Rev. Pct.	Power
NwsTk	58	19.6	25.4	130
Urban	37	13.1	10.7	82
AC	36	12.7	14.3	113
Span	54	10.8	6.3	58
CHR	18	10.3	8.7	84
Old	17	5.8	7.1	122
AltV	23	5.6	6.8	121
Ctry	21	4.6	5.6	122
Jazz	10	4.0	3.9	98
ClsRk	14	3.7	3.8	103
Rock	11	3.0	4.1	137
Clscl	12	2.7	1.8	67
Stds	13	2.5	0.7	28
Rel	22	1.4	0.5	36
Child	4	0.1	0.2	200
Total	350	100.0	100.0	

New York

Format	Stns	Aud. Pct.	Rev. Pct.	Power
NwsTk	9	20.6	29.5	143
CHR	3	17.7	14.1	80
Span	5	15.5	7.4	48
Urban	4	11.0	9.7	88
AC	3	10.9	13.3	122
Old	1	5.2	6.1	117
AltV	1	4.6	6.9	150
ClsRk	2	4.0	5.2	130
Jazz	1	3.8	3.9	103
Clscl	1	3.0	2.4	80
Stds	1	2.5	0.8	32
Ctry	2	1.2	0.6	50
Total	33	100.0	100.0	

Los Angeles

Format	Stns	Aud. Pct.	Rev. Pct.	Power
Span	10	25.1	14.3	57
NwsTk	8	16.1	21.6	134
AC	3	11.0	11.6	105
Urban	5	11.0	9.8	89
CHR	2	8.2	10.8	132
Old	3	7.4	10.9	147
AltV	4	5.8	6.6	114
Jazz	1	3.8	5.3	139
Stds	2	2.9	0.7	24
Rock	1	2.7	4.0	148
Ctry	1	2.4	2.6	108
Clscl	1	1.8	1.4	78
Rel	4	1.3	0.0	0
Child	1	0.5	0.5	100
Total	46	100.0	100.0	

Chicago

Format	Stns	Aud. Pct.	Rev. Pct.	Power
NwsTk	9	24.9	32.5	131
Urban	3	15.9	10.4	65
AC	7	11.9	11.5	97
Span	7	7.3	6.0	82
AltV	2	6.4	8.1	127
CHR	1	6.0	4.2	70
Ctry	2	5.1	5.5	108
Rock	3	4.9	6.5	133
Jazz	1	4.8	4.2	88
Old	1	3.8	5.8	153
Clscl	2	3.3	2.0	61
ClsRk	1	2.5	1.3	52
Stds	1	1.9	0.5	26
Rel	2	1.3	0.8	62
Child	1	0.0	0.7	n/a
Total	43	100.0	100.0	

San Francisco

Format	Stns	Aud. Pct.	Rev. Pct.	Power
NwsTk	5	25.9	34.3	132
AC	7	18.3	22.1	121
CHR	3	13.6	10.2	75
AltV	5	8.6	10.8	126
Stds	1	5.0	1.0	20
Clscl	3	4.9	1.9	39
Old	2	4.7	6.2	132
Urban	1	4.7	2.2	47
Jazz	1	4.2	5.0	119
Span	4	4.0	2.6	65
ClsRk	1	2.8	1.2	43
Ctry	2	2.5	1.9	76
Rel	1	0.8	0.0	0
Child	1	0.0	0.5	n/a
Total	37	100.0	100.0	

Philadelphia

Format	Stns	Aud. Pct.	Rev. Pct.	Power
NwsTk	5	20.4	25.6	125
Urban	3	16.7	13.5	81
AC	3	14.3	12.5	87
Rock	2	11.1	17.3	156
Old	2	6.0	6.5	108
Ctry	1	5.8	3.5	60
ClsRk	1	5.0	5.9	118
Jazz	1	5.0	4.0	80
CHR	1	4.9	4.5	92
Stds	2	4.9	2.7	55
AltV	1	2.8	2.0	71
Rel	4	2.5	0.9	36
Span	2	0.6	1.1	183
Total	28	100.0	100.0	

Sources: RBR Source Guide database, Arbitron Summer 1998 survey, Broadcast Investment Analysts's Investing in Radio

Non-Traditional Revenue Track

% of Vendor/New Business by Category (December 1998)

	June	July	Aug	Sept	Oct	Nov	Dec	1998
Automotive	19.34	12.18	8.05	13.45	9.84	10.91	18.77	15.63
Food/Grocery	33.11	37.16	33.85	39.09	45.23	46.52	31.55	33.80
Leisure/Electronic	25.27	29.87	22.94	25.73	17.80	18.63	32.85	22.35
H&BC	7.65	11.82	13.50	7.06	13.39	3.99	7.64	9.00
Home Improvement	5.24	3.19	8.03	3.27	3.89	7.39	3.16	8.07
Office	4.83	5.21	12.74	11.40	8.66	7.92	4.37	8.63
Clothing	4.56	0.57	0.89	0.00	1.19	4.63	1.66	2.51

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

Get to Work!



Arbitron has changed the diary!

Arbitron is now asking diary respondents to write down their At-Work zip code! And they're asking if the diary-keeper works less or more than 35 hours a week. Arbitron is forcing At-Work listening to Top of Mind!

If you thought At-Work Listening was important before this new diary, you were right. Arbitron's 1997 Reinterview Study concluded that At-Work Listening is growing every year. But with Arbitron's new diary asking diary-keepers to write down their At-Work zip code and reveal the hours they work each week, At-Work Listening will be the new key to rating success!

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Chancellor on the Auction Block

Chairman Tom Hicks and President/CEO Jeff Marcus hung out the "for sale" sign (1/20), announcing that the directors of Chancellor Media (O:AMFM) have retained BT Alex. Brown to evaluate the company's options to maximize shareholder value. In making the announcement, CEO Marcus said the multi-media company's three operating divisions—radio, TV and outdoor—are each "exceptional assets" with proven management.

"However, there remains a substantial disparity between Chancellor's market valuation and those of its peers," Marcus said. "Accordingly, we have elected to pursue a strategic review intended to identify options which can result in enhanced shareholder value and better reflect the company's outstanding assets, management, industry position and resources."

Although Chancellor has been touting the syn-

ergies of its multi-media platform, Marcus' announcement indicates that the company will consider selling off one or more of the divisions if that proves to be the best deal for its shareholders.

Speculation on Wall Street immediately focused on one company: Lowry Mays' Clear Channel Communications (N:CCU), although it might have to spin off a lot of Chancellor Outdoor to get the deal past DOJ. The only other reasonable candidate from within broadcasting is Disney (N:DIS), but that would require CEO Michael Eisner to embrace the idea of devoting mega-bucks to expanding radio. CBS (N:CBS) is unlikely to bid for Chancellor, since it would have to spin off virtually all of the top-10 market stations, the most desirable radio assets.

Otherwise, a buyer for all of Chancellor would have to be a big bucks domestic company (due to

foreign ownership restrictions) in a related industry which could realize some synergy with Chancellor's radio/TV/outdoor businesses. Fox? NBC? A Baby Bell? AOL? Microsoft? Maybe, but not likely say Wall Streeters.

The pool of bidders might be a little bigger for the pieces of Chancellor—a scenario that's not being ruled out. CBS would be a good prospect for outdoor. Hearst-Argyle (N:HTV), Belo (N:BLC) or any other similar-size TV group for Chancellor's LIN TV group. Radio could draw several bidders, particularly if it is split into large- and small-market chunks.

"I think Chancellor will do whatever will fetch them the highest price," said Lehman Bros. analyst Tim Wallace. He estimated the take out value for Chancellor at \$60-65 per share. That would put the total value, including \$7.2B in debt (pro forma for all pending acquisitions), between \$21.4B and \$22.6B.

Ad Agency Bias? Report Says Disparities Exist

A report to the FCC on possible ad agency bias against minority-formatted and minority-owned stations shows that those stations earn less per listener than general market-programmed and white-owned stations (see MBR Stats, p. 4).

The \$20K, 18-month-long, FCC-commissioned study was conducted by the DC-based Civil Rights Forum and ceremoniously presented to Chairman Bill Kennard (D) at a press briefing (1/13) by Kofi Ofori, the study's principal investigator and forum research director.

The report's conclusions, based on 1996 revenues, were drawn from three primary surveys. Sixty-four of the nation's 284 minority-owned radio stations (as of 1997) responded in one

poll. 91% indicated they had encountered the "no Urban/Spanish dictates" by ad agencies not to buy ads on their stations. Further, 61% of agency-purchased ads on minority-owned stations were discounted by an average of 59%.

A separate survey of 3,745 radio stations (including 155 minority-owned, 413 minority-formatted) found advertisers, on average, paid 29% less to stations targeting a minority audience.

The study also contains anecdotal evidence gathered from interviews with 21 radio industry execs which suggests ad buying decisions are frequently based on racial stereotypes ("black people don't eat mayonnaise"), misapplied qualitative data and a failure to see minority con-

sumers as "prospects, not suspects."

The report demonstrates that minority broadcasters "find it difficult to attract ad revenue, a situation that jeopardizes their overall profitability, and ultimately, the communities they serve," according to Kennard.

Ofori's report recommends that ad agencies agree to end bans against minority broadcasters, that the FCC and FTC adopt advertising policies and practices guidelines, and calls for a federal executive order prohibiting its agencies from contracting with ad agencies found to discriminate against minority broadcasters.

Judge Overturns \$20M Award to Children's Broadcasting

U.S. District Court Judge Donald Alsup overturned a federal jury's award of \$20M to Children's Broadcasting Corp. (O:AAHS), ruling that the facts did not support the verdict against ABC Radio Networks and its parent company, Disney (N:DIS).

In his ruling 1/15, Alsup, who had presided over the trial last September in St. Paul, MN, said he reversed the jury's verdict because Children's Broadcasting Corp. (CBC) was already in financial difficulties before ABC signed a contract in November 1995 to handle ad sales for the Radio AAHS, then pulled out after seven months and announced plans to launch a competing network, Radio Disney. "CBC failed to distinguish between the effects of ABC Radio and Disney's wrongdoing and other factors that may have affected CBC's business," Alsup wrote.

"We're very pleased," ABC spokeswoman Julie Hoover said of the judge's decision to throw out the \$20M award.

CBC CEO Chris Dahl told MBR he wasn't particularly surprised by Alsup's most recent ruling: "It's not inconsistent with this judge's inconsistency." An appeal is expected.

Just Say No to Ad Agency Bias

"Stations that can, should hold the line" against ad agencies that try to assess rate discounts against minority broadcasters, said Tom Castro, President of El Dorado Communications, one of the panelists at Rev. Jesse Jackson's second annual Wall Street Project.

"Just don't sell," Castro added. "I realize that there will be somebody in the market who will be willing to give it away. You may be principled, you may be taking the long-term view, but your competitor says 'I'm over here...I'll give it to you.' Ultimately, the problem is the buyer doesn't value what you are selling."

The goal then is to change that point of view. "This is the start of the change," Castro said, "but we have done this before in this country. We did it in the civil rights movement and in the depression. People just decided things had to change."



Tom Castro, third from left, at ad bias panel moderated by the FCC's Cathy Sandoval

Small Station Owner Rebels at Dereg

Carl Marcocci, Chairman, Music of Your Life Network, and owner of six Florida AMs and FMs, is forming the American Association of Independent Radio Stations. AAIRS is being organized as a non-profit entity that will lobby the FCC and Congress for small broadcasters. D.C. office space is being rented, attorneys are being hired and an alliance is planned with the National Federation of Independent Business.

"We want to awaken the FCC and Congress that Telcom is strangling independent broadcasters across the country. When these groups each get five high powered FMs—we've become experts at it here in Tampa with Jacor, CBS and Cox—and say three of them are successful, two FMs become throwaways. They use those FMs to block out little guys like me who are niche players. They can throw a station at me just to get me out of the ballpark. They sell their three stations at very high premiums, the other two they sell at a dollar a holler, undercutting rates," said Marcocci.

His group, already with a number of broadcasters on board, also wants to help the FCC conclude favorably the Class C0 FM rulemaking, relieving adjacent channel restrictions and allowing co-channel relief to FM stations protecting high-powered FMs not at maximum height. Additionally, "We want to convince Bill Kennard that the microradio initiative is a death knell to the already existing minority broadcasters. The lower power guys, if approved, will compete with we little guys, not the groups," said Marcocci.

Casey Sets Two Guinness Radio Records

WKDY-AM Spartanburg, SC "Trivia Guy" host Wilson Casey set a new Guinness World Record for the longest running radio broadcast and set a record for longest running trivia broadcast (a new category).

The record-setting show ran for 30 hours, beginning midnight Friday (1/8) and ending 6A Sunday (1/10). Said Casey about the final hours of the attempt: "Nurses were required to be there the entire time because of my high blood pressure. At 29 hours, 5 min., my pressure was 160/110 with a pulse of 110. The last few hours were really tough—I was pouring water over my head and pouring down coffee and Mountain Dew. My voice was fine."



Wilson Casey

250 people stopped by station. Casey received an estimated 6,500 phone calls on 3,303 teasers. He has been doing trivia for 20 years, as a syndicated columnist, author and radio personality. Now he's looking to get syndicated on the radio.

Competing Media

Keep On Keeping On

October was pretty much a carbon copy of September for the MBR/Miller Kaplan Total Media Index. Radio's share of Beverage sector advertising slipped to 38.24% from 48.72%, but otherwise there was no strong movement—up or down.

Auto advertising, which had risen strongly in September, jumped again in October as new model promotion continued in full swing. TV and newspaper get a lot more of this spending than radio, but the dollars are huge. Radio's take was just shy of \$20M, but its share of the Auto ad pie slipped to 6.76% from September's 9.41%.

Entertainment-Other/Lottery was radio's strongest sector, with 46.81% of total spending, surpassing ad revenues from the Television sector, 43.12%. ♦

MBR/Miller Kaplan Total Media Index - October 1998 (Expenditures in 000)

Category	Newspaper	TV	Total Radio	Media	Radio % of Total
Automotive	153,163	120,889	19,871	293,923	6.76%
Restaurants	3,842	44,786	9,649	58,277	16.56%
Department Stores	69,938	18,092	7,282	95,312	7.64%
Foods	3,101	29,357	6,958	39,416	17.65%
Communications/Cellular	33,938	26,918	14,603	75,459	19.35%
Furniture	27,250	14,417	5,435	47,102	11.54%
Financial Services	35,108	22,152	12,646	69,906	18.09%
Movies/Theater/Concerts	17,383	15,211	5,299	37,893	13.98%
Grocery Stores	13,279	7,623	5,377	26,279	20.46%
Appliances & Electronics	28,106	10,851	3,206	42,163	7.60%
Hotel/Resorts/Tours	25,594	6,103	3,148	34,845	9.03%
Drug Stores/Products	6,353	11,462	3,412	21,227	16.07%
Computers/Office Equipment	17,124	8,141	5,526	30,791	17.95%
Specialty Retail	29,061	27,389	9,224	65,674	14.05%
Health Care	12,660	19,349	9,847	41,856	23.53%
Auto Parts/Service	6,557	9,899	3,993	20,449	19.53%
Music Stores/CDs/Videos	2,414	6,608	2,716	11,738	23.14%
Transportation	11,382	6,039	4,339	21,760	19.94%
Entertainment-Other/Lottery	3,163	4,675	6,898	14,736	46.81%
Home Improvement	11,609	9,579	2,838	24,026	11.81%
Professional Services	9,023	6,467	4,503	19,993	22.52%
Beverages	2,719	8,477	6,931	18,127	38.24%
Television	9,957	7,574	13,290	30,821	43.12%
Personal Fitness & Weight Ctrs.	901	5,102	775	6,778	11.43%
Publications	26,284	3,584	2,826	32,694	8.64%

TOTAL 559,909 450,744 170,592 1,181,245 14.44%

*Based on Media Market X-Ray composite data for 13 markets (Atlanta, Cleveland, Dallas, Hartford, Houston, Minneapolis-St. Paul, Pittsburgh, Portland, OR, Providence, Sacramento, San Diego, San Francisco, Seattle). Newspaper and television data compiled by Competitive Media Reporting and radio data compiled by Miller, Kaplan, Arase & Co., CPAs. For further information contact George Nadel Rivin at (818) 769-2010.

This is the premiere edition of MBR's GM Talkback™. Each month, we will ask a few general managers from around the country to share with us, and you, their views of the industry.

This month we quizzed: New Century's Bob Case of KEDJ, KDDJ, KGME and KHOT Phoenix; Cumulus' Gary Pizzati of WBBQ AM/FM, WEKL, WUUS, WZNY, WRXR and WGUS Augusta; Tribune's David Juris of KOSI, KKHK and KEZW Denver/Boulder; Capstar's Christopher Wheat of WFBQ, WRZX and WNDE Indianapolis; and Clear Channel's Allen Power of WESC AM/FM and WTPT Greenville-Spartanburg, SC.

Here are this month's GM Talkback™ questions and our GMs' responses.

1

Has the type and number of persons reporting to you changed in the consolidation environment, and how so?

Bob Case:

Yes, it has changed in a number of ways. The recruitment and hiring of a Director of Sales to lead the KEDJ/KDDJ, KGME and KHOT sales teams has been a great relief and fantastic success. New Century Arizona's DOS has made all the difference in helping to achieve our revenue goals and create a consistent company image at the client level. The other big change was at the NTR level. We call this department "Fun & Games." Our focus is concerts, job fairs, golf and fishing tournaments, station magazines and sports publications and holiday parties. That department has a manager and seven sales people dedicated to selling the sponsorships.



Gary Pizzati

Gary Pizzati:

Yes, it has changed dramatically in just pure numbers alone. With trying to keep the "open door policy" effective with five FM's, a stream of people from all departments find their way into my office often. I try to keep a handle on this by hiring great leaders as department heads. These talented individuals deal with daily issues and problems that do not require a decision from me as often as they can. That process narrows the numbers reporting by a large margin. Cluster manage-



Christopher Wheat

ment has changed the role of GMs in a big way. You must have a constant flow of information about your operation coming to you. That means daily contact with the people that run your departments. I currently have two business managers, four marketing directors, four PDs, an operations manager, one director of sales, two sales managers, one NTR Director and a chief engineer reporting to me every day.



Bob Case

David Juris

The only change is having programming concentrate on one station. With three stations in Denver, I have three programmers, a DOS, a controller, a chief engineer and a director of advertising and community relations reporting directly to me. The DOS oversees three LSMs, an NTR director and an NSM. The director of advertising has a promotions director for each station.

Christopher Wheat:

Yes. When we took over the additional station, sales and traffic and some business people were added to our staff. We also added a new PD and on-air staff (with promotion people as well). We selected overall department heads to oversee the operation with fewer voices but more people.

Allen Power:

The number of staff reporting to me has more than doubled. One major change is that I MUST empower and depend on my department head team more than ever before. Though I try to be as involved as I can, the old days of my being intimately involved in the minute details of the operation of each area is a thing of the past. However, I try to allocate time to periodically have some involvement at that level in each department.

2

Has the type and number of persons you report to changed in the consolidation environment, and how so?

Bob Case:

For me it hasn't changed. I report to a board of directors exclusively.

Gary Pizzati:

Not really. I report to one person, the president of the broadcast group. We do that now more by e-mail rather than by phone. If your broadcast cash flow is on track, and you are achieving your budgets, you rarely have contact.

David Juris:

No. Tribune has only two radio markets, Denver (3 stations) and Chicago (WGN-



Allen Power

AM). I report to Wayne Vriesman (VP/Radio Group) and Dennis Fitzsimons (Exec. VP/Tribune Broadcasting).

Christopher Wheat:

This has also changed. Our company, Capstar, divided itself into several smaller companies within itself. Thus, the reporting process was consolidated as well. Included within each smaller company, in some cases, are personnel overseeing more than

one market (i.e., person running Raleigh oversees Richmond as well) but still reporting to the regional president of a smaller company.

Allen Power:

The nature of the relationship has changed because prior to consolidation, I worked for an absentee owner. Unique to Clear Channel, is the high degree of autonomy for managers, which is similar to the former relationship.



David Juris

3

How did you get into radio and why did you stay?

Bob Case:

My Seattle high school had a 10 watt radio station, I enrolled in the class and got hooked. I stay in it because I learn so much and can positively impact my audience, clients and employees.

Gary Pizzati:

I got into radio because I just love the mystique of the business. I started back in the late 70's as a DJ and worked in many markets across the country.

David Juris:

My sister, Felice, was selling radio in Miami/Ft. Lauderdale at LOVE 94. She introduced me to Steven Dinetz, who helped me get an interview with his company.

Christopher Wheat:

I started working in a television station as a film editor and observed the sales account executives. I found it to be competitive, challenging, good pay and never dull.

Allen Power

I never wanted to do anything BUT radio. My dream was to be a morning jock!

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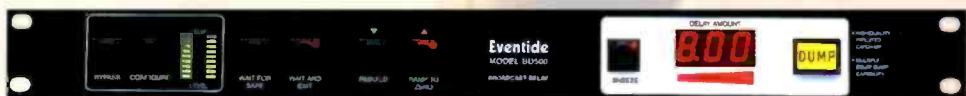
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CATHY HUGHES:

THE MIDAS TOUCH, with the gloves off

by Jim Allen



Descended from a line of African goldsmiths who were brought to this country, not as slaves, but as craftsmen, and settled in America's heartland Catherine Liggins (Cathy) Hughes, the founder and chair of the nation's largest and fastest-growing African American-owned broadcasting company, appears to have inherited that "Midas touch" from her ancestors.

Born and raised in Omaha, Nebraska, when 24-year-old Cathy Liggins came to Washington, DC in 1971 with a six-year-old-son (Alfred Liggins) in tow to work in the newly formed School of Communications at Howard University, who could have imagined the doors she would open, the barriers she would knock down and the broadcasting gold she would strike?

In 1973, Hughes' radio career was launched as General Sales Manager of Howard U's perennial DC urban contender WHUR-FM. She took that station from a quarter million to \$300M in revenue in her first year. By 1975, she was named VP/GM of WHUR, became the nation's first female VP/GM of a broadcast facility, and developed the nighttime format known as "Quiet Storm."

From there, in 1978, she became VP/GM of WYCB-AM Washington (which she bought in 1998). In 1980, she purchased her first station, 1000 watt WOL-AM, where she pioneered "24 hour Talk from a Black Perspective" and hosted the fiery "Cathy Hughes Morning Show" until Radio One's phenomenal growth robbed her of her mornings.

WOL-AM's theme is "Information is Power," and now, with 17 stations in Washington, Baltimore, Philadelphia, Atlanta, Detroit and St. Louis and poised to take her company public sometime in the first quarter of 1999, Hughes herself is a power to reckon with. She took some time to reflect on her career, the industry and her goals with *MBR*.

What was your goal when you first started in broadcasting?

My goals today are the same as they were when I started in broadcasting. To provide a voice for the African American community. To allow African Americans to tell their own story and give their interpretation of what's important and what's going on in their lives.

I have always aspired to be to the African-American community what Katharine Graham has been to her community. She has superserved her community from A to Z, including changing the course of American government history. When she saw injustice or something she felt needed to be corrected, for the sake of the audiences she served, even if it meant great personal or professional risk, she was willing to pay the price to make the change. I just hope I will be able to do in my community what Katharine Graham has done in hers.

I also want to create 1,000 jobs for African-Americans. When my eulogy is read I want that said. When you look around, opportunities for African-American broadcasters are shrinking. The honeymoon growth period for black talent and management has peaked in the mainstream and is subsiding. There's Charles Warwick, EVP with Chancellor, but he's a rarity. I am committed to providing opportunities for those who cannot get into other doors.

You once told me that someday you would be as big as CBS, now that you have run CBS out of Baltimore Urban radio, maybe they don't seem so formidable. Are you still focused on quantity and achieving that goal; could you see doing a deal with Mel Karmazin?

I don't view it as we ran CBS out of format. That's like a fly chasing

an elephant out of the jungle. I think the elephant just moves to get away from the irritation. We were able to come up with a better format, better personnel and able to execute better. I believe they just saw other more lucrative opportunities in another format.

I would be honored to do a deal with Mel Karmazin. In my opinion he is a broadcaster's broadcaster. He has vision. He has an innate ability to assemble a team of quality broadcasters around him to achieve his goals.

It is definitely past the time for there to be a true African-America competitor, a major player, in the world of broadcasting. Certainly to have CBS, Clear Channel, Chancellor or ABC as a goal, in terms of size, is something that I think all of us at Radio One would aspire to.

Sum up for me your experience at being a black female in an owners' club dominated by white males.

How did your peers receive you five years ago; and now?

I think being an African-American has been far more of a penalty for me than being a woman. My peers have started to recognize my existence and I am pleased that they acknowledge that Radio One does exist. For a long time our successes were deemed flukes. I always wondered how many years does it take for a fluke to become a reality? The fact that we're growing while a lot else that's black-owned is shrinking is an accomplishment in itself. Five years ago I got little or no recognition.

That recognition now takes the form of plaques and awards and public accolades. I certainly don't want to appear ungrateful, because I am grateful. But that's not what I really want or need. I would prefer being invited to sit in on decision-making committees, those that directly influence the future of the broadcasting industry and directly

enough said!



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impact my ability to earn a living, as well as the 400-plus employees that I have. I would like to be privileged to information on deals that are going to go down that could strengthen my company, or mergers that are taking place that we could be a part of.

Do you support FCC Chairman Bill Kennard's initiatives toward broadcast ownership restriction as a means to spur competition?

Absolutely. His ideas and strategies are very courageous. I think the chairman is being penalized be-

early on—that's a challenge for nearly everyone. The most discouraging thing has been having to sit, particularly at my age and with stations ranking number one in their markets, and have someone tell me to my face that "black people don't fly or rent cars or this or that." Or, that the advertiser does not want to advertise to a black consumer. I could have both quantitative and qualitative superlatives and find people who will not pay me the same dollars for black listeners as they will for white ones. That 3/5's of a man stuff came out of the Constitution some time ago but there are agencies and advertisers who have not



Hughes and her heir, Radio One Pres. & CEO Alfred Liggins

“Alfred has been the growth of Radio One”

cause of it. Never before in the history of the FCC, to my knowledge, has the Congress taken such an active interest. Prior the Commission having its first African-American chairperson, Bill Kennard, it was hard to get a member of congress to even have a discussion with you about the FCC. But many of the members of congress suddenly feel it is their obligation to have a day-to-day interaction, almost trying to micromanage the FCC. And I don't think it's coincidental that it started with the first African-American chairperson. If he just came in and honored the status quo, he would not be in the political hot water that he's in.

What has been your experience with “Non-urban dictates” from ad agencies.

The most discouraging aspect of my broadcasting career has not been the lack of financial support

gotten the message. That's a very tough thing to take.

I am very happy the ad agency bias report was released. However, I can remember testifying before the FCC on an unrelated matter 25 years ago when the first black commissioner, Benjamin Hooks, took the opportunity to ask me if I was able to get the same rate for my spots on WHUR, and we were number 2 or 3 in the market at the time, as my white competitors in the market. I told him “no sir” and he asked me to explain.

I remember one of the white commissioners saying to me “this is something that needs to be looked into” back in the 70's. As the Kerner Commission pointed out, America is still two societies, one black and one white, separate and unequal. Again, we announced results that everyone already knows. My thing is, what's going to occur now that it has been documented?

We just keep inching along as a reality of the game we are playing.

What was the most difficult financial hurdle you have overcome?

I think it was buying the first station (WOL-AM). The first lender relationship is always the toughest because you don't have a track record. It's harder to do your first deal. It was very scary for me because that's when the prime rate was into the 20's. So, my loan was at 2 1/2 points above prime, I think at one point my interest rate was as high as 26%. That's more than a quarter on a dollar. When I was a kid growing up that was called “juice” and it was illegal. It took us seven years to buy our second station because the prime

was up in the 20's, through no fault of our own, and carrying that kind of interest makes you look like a bad credit risk. The most difficult aspect is establishing a viable relationship with a lending institution and that takes years.

What is your greatest strength as a business person?

My ability to encourage and bring out the best in other people, recognizing and nurturing talent. I think back to Berry Gordy's ability to take ghetto children and turn them into major superstars. That's good stuff.

How important has your son Alfred been to Radio One's growth?

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It may be too late to put the radio broadcast oligarchies back in the bottle, but let's try.

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- * **Lift the freeze currently in place relating to AM buyout rights**
- * **Raise heaven and move earth to convince Bill Kennard the micro radio initiative is a death knell to the already existing minority broadcasters caught in the Telecommunication Act's unintended consequences**

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Alfred has been the growth of Radio One. He first thought he didn't want to be in broadcasting, but once he got bitten by the bug, he took to it like a duck to water. He's a visionary. I can honestly say the company would not have grown like it has if I had been selfish and petty and deprived Alfred of the opportunity to lead.

The hardest part is the transitioning from changing a baby's diaper to that baby making decisions that directly affect my livelihood. It amazes me as I witness his growth and development. But it can be frightening when you sometimes remember that this is the same child who would always

of power between the two of us. My role now—I like to say, Alfred manages the company and I manage Alfred. My job's tougher.

After your IPO, do you fear the loss of that family feel and how will Radio One maintain or reinvent its identity?

I think all companies, regardless of the industry, once they get a certain size, toy with the idea of going public. But my biggest fear is that we would lose the family atmosphere. Preparing for this, I have been doing extensive reading on how the Japanese run their companies and Sony is run as a

atmosphere. Katherine Graham and Donald Graham keep a finger on the pulse of their employees.

I also think it's important for African-American progress through commerce for us and others to take the opportunity when we can.

Many see you as an enigma. What would you like people to know about you?

Perhaps people, as you say, see me as an enigma because once I realized I was being excluded from the old-boy network I didn't take it personally, I just continued to build my little sand castle over on my little side of the beach.

Since my name has spread somewhat now, but not many people know me personally, they depend on other people's interpretations of who I am and what I am about.

I care what God thinks of me and what I would like for people to know and understand is that my sense of accomplishment comes out of knowing that I have personal input into the growth and development of other African-American broadcasters.

Five years ago they were saying I was crazy, now I have been upgraded to an enigma. There is a God.

“Prior to the commission having its first African-American chairperson...it was hard to get a member of congress to even have a discussion with you about the FCC”

lose his keys. You think to yourself “suppose he loses the company like he lost the keys,” standing there looking at you saying “I don't know.” But I have the utmost confidence and respect for Alfred, although he threw momma from the train.

The parent generation needs to move over when it is time and allow the younger, fresher, more in tuned minds to take over. I knew Alfred was serious when he got himself into Wharton Business School and excelled. He and I both decided that we did not want to penalize our employees or jeopardize our future growth due to our inability to work out a transition

family. I doubt if Radio One will be as large as Sony in my lifetime, so we can do it. The Japanese have been able to perfect this all inclusive family-work atmosphere regardless of the size of the company. It gives employees additional reasons to come to work. It gives them pride of authorship. It ties them into stock options. It makes them a part of the company, so that it's not just a group of individuals, or statistics.

It's important to me to keep up with the lives and doings of current and former employees. That won't change. And, I have examples around me of publicly held companies that still have a family

**Catherine Liggins Hughes,
Founder and Chair, Radio One Inc.**

Born:	April 22, 1947 Omaha, Nebraska
Married:	Twice, both on Tuesdays
Offspring:	Alfred Liggins (34), President & CEO, Radio One, Inc.
Life before Radio:	Executive Director of EEO Compliance project in the Midwest Region
Personal Goal:	To employ 1,000 African- American broadcasters
Current employees:	Approximately 400

Broadcast Properties:

Washington, DC	WOL-AM (flagship) WMMJ-FM WKYS-FM WYCB-AM
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nuff said!!

Many missing the boat in Hispanic radio: an interview with Rio Grande Media

by Carl Marcucci



Luis and Miguel Villarreal

Miguel Villarreal and his brother Luis came into radio ownership in 1990 with KDOS-AM (now KLNT) Laredo, TX, and KTZQ-FM Laredo in 1992. The Villarreal Brothers' Rio Grande Media is becoming more and more known by the phenomenon they created flipping KTZQ (Tejano) to KNEX "Rock en Español" (Spanish-language Rock) August, '97. With P12+ (AQH Mon-Sun 6A-Mid.) jumping from 4.3 Sp'97 to 21.3 Fa'97 and 18-34 moving 1.2 to a whopping 29.3, it's obvious these guys are filling a huge hole in the market (P12+ Sp'98 was 20.1). MBR talked with Miguel at the Washington law offices of Fisher, Wayland, Cooper, Leader & Zaragoza on the success of KNEX and how Hispanic radio is often misunderstood.

What is the history of KNEX?

We put [then] KZTQ on the air December 28, 1992. It was an Oldies format for about a year and a half, marginally successful. We also had KDOS-AM, which was a Spanish Traditional station.

We had realized that the future of the big advertising dollars regionally and nationally was from the Spanish side and not from the Anglo side. In our market, being 94% Hispanic, we knew that we needed to make a change from Oldies to something else and decided to go into the Tejano realm. However, there was already a

Tejano station in town, which still exists. We found out that not only were we going up against the leader, but we were dealing with the Mexican-American segment of the population who are incredibly loyal in what they do. They saw us not as an alternative to the other one, but more so like somebody trying to rain on their parade.

What made you decide to go with Rock en Español?

I do not like Tejano music. And like me, there are a lot of other Mexican-Americans who don't

like it. Why? We did not grow up with it. We do not identify with it. And it is not tied to our culture.

My brother, Luis and I had grown incredibly frustrated with owning radio stations that programmed music that we didn't like. So, one morning, we got together and figured out what was going on before the rest of the staff got in. I said, 'there are a lot of people like you and I that are Mexican-American, proud of our Hispanic heritage, proud to be Americans, who have got to be targeted by something other than Tejano, Ranchero, Regional and all that stuff.' He and one of the production directors, Dave Gonzales, went into the control room and put together a demo tape for me. They came back the next day and I listened to it. We decided right there and then that we were going to do some form of this. We called it "Next." It is like an alternative Rock-type. The genre varies from Soft Rock to House in Spanish, including some Swing. We started crafting the format, and within two weeks, switched it. It has been fantastic!

Where did Gonzales find the music?

In the clubs. This is what the kids are dancing to. We went to the clubs, found out what was there and that was our first source of music. There are also groups like Mana. They are a terribly talented Rock group that have been around for probably fifteen years in Mexico. Their music, their Rock elements are so present there.

MBR did a story on KSSE-FM in Riverside, another Rock en Español station (Oct '98). How do the stations differ?

You will never hear a romantic ballad on our station. And you will never hear house music on his station. That's the major difference. We've actually produced a couple of CDs. I tell you, what makes our format incredibly different from what is being done elsewhere—the music is in Spanish, the jock delivery is in English.

Why in English?

Because there is a certain level of credibility in the mind of the listener when you talk to him in English. Hispanic-Americans, and I would tend to think any kind of immigrant, wants to be perceived as belonging to the general population and being integrated into the general population of the U.S. What is the single largest thing that allows you to belong? Being able to speak the language.

Is Nuevo Laredo (just over the US-Mexico border) important to you for sales?

Very important, although we cannot get meaningful measurement. It's got a population in excess of 500,000, three times bigger than Laredo. Our problem with marketing to advertisers on the

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Mexico side is, that market is over-saturated with radio stations. They have 18 and we have six.

In Mexico, because they have over-saturated markets, broadcasters can't even consider doing one of these 9-12 units of commercials per hour deals. They start at 30 and go higher than that. They are all very low cost.

Our on-the-street rate is 7 to 10 times higher than what the Nuevo Laredo stations get, so it's really hard to go and compete for the advertisers. But it happens from time to time, we will get a buy from them.

We have a station (XHGT 107.3 FM) in Mexico that we manage, program and sell [Rio Grande also owns KSAH-AM San Antonio and LMAs KOYE-FM Laredo]. Through that station, we have started to make some significant penetration into the Nuevo Laredo advertisers—because they feel it's there, that it is a Mexican side station. Now we're getting the ability to sit down in front of people and tell our story. Tell about the dynamics of nine units per hour. Why it's so much more expensive, why it is so much more effective. Why you need less frequency.

Are you thinking about consulting this format out?

I would love to consult the format out. Actually we contacted SW, and then we backed off, because the format is still being developed. Beyond the possibility of making money with the format outside of our market is the possibility of giving Spanish language radio a new look, a new feel in the industry as a whole. We would like to do that. Heftel and SBS have expressed an interest in the format for the San Antonio market. I'm kind of making a pitch to see who comes to the table first. I've spoken with both Jeff Hinson and Mac Tichenor at Heftel, and with Raul Alarcon and Louis Albertini at SBS about the possibility. I really hope that we are given that opportunity.

What I would really like to do is form an alliance with a large group that is in large markets to create a minority-interest division which I would like to head, and to expand into small markets not with Spanish-language radio, but with Hispanic-targeted radio. I think we are missing the boat, as an industry, as Hispanics out there are not being targeted by Hispanic radio.

Arbitron has no format listings for Rock en Español, or many other Spanish subformats. How do you feel about that?

It serves as an incredible frustration. You talk to them and to them there is Spanish Contemporary, Spanish Traditional and that's it. That doesn't say anything about the different formats. It is incredibly irresponsible, I believe, on their part to just bunch everybody together in those two categories. Let's face it, the agency buyers community is incredibly stupid for the most part because they don't look at things outside of ratings.

They very rarely consider things that are qualitative. And a lot of this is driven by the advertiser. The buyer should be familiar with the markets. The buyers should be making market trips so they can understand what is happening. They don't do that because it is budget-driven—they can't afford to do so. But that doesn't give them the right to judge based on just the ratings. And then, when Arbitron is providing that tool, and that tool basically lumps everybody into two areas, they don't do anything to further educate the buyer. That's not right.

I talk to Arbitron often, through David Lykes, who used to be one of the VPs for Heftel, and directly through Tony Belzur, who is our rep, a very aggressive man at Arbitron. Prior to that, I had spoken with some other folks about our displeasure. I think they are going to try to do something, but they obviously want to make sure they do it right.

How were your demos other than the target 18-34?

In our book, we were No. 1 in every demo at every hour in any age cell break. Arbitron calls me and says, What are you doing? Are you giving away [something good] on the air, or what? There was an age cell of Sunday night listeners where our share was 50.

What did you do promotionally at launch?

What we came out with was some spots on TV. We don't know really how successful those were. We did some billboards—very simple. They didn't say anything, just 106.1-Next. We did a lot of the typical stuff: giveaways, a lot of remote exposure, and that kind of stuff. We bought some 1973 VW bugs and turned them into Next and called them 'the dots.'

What are some national buys that you've gotten because of this format? How did local change?

I have not gotten a new advertiser because of the format. Their investment into our station has been a lot larger, but we haven't brought anybody in because of it. Coca-Cola, Dillard's, Pepsi, McDonald's are big, not as much as we'd like. About 30% of our business is national.

When you change a format, you lose a lot of revenue, especially if you make a drastic change. When we went from Oldies to Tejano, we lost at



The KNEX Jocks

that time, a third of our total revenue for the year. Just because there was a change in format, the advertisers were like, 'See you later!' When we went from Tejano to this format, we increased our revenue by 7% within the first two weeks, and did not lose a single advertiser.

Do you have any message for agencies that buy Hispanic?

I think they need to have a lot more people that look at alternative formats. In addition to that, we need to have a lot more that look again at Hispanic-targeted radio as opposed to Spanish-language radio. It's a little tricky there, because advertising agencies that specialize in Spanish-language radio don't want to give the slightest hint to the general market counterparts that we are targeting Hispanics with Anglo formats.

Pardon my French, but who the hell cares? If you are going to deliver for the client, then you need to use whatever medium is available and whatever format is available. I offered a client who has a national profile the opportunity to get some merchandising on our Country station [KOYE] because it had a good fit. The response was, "Don't you even talk to me about that. This is the Hispanic effort, we're not going to place those dollars on another station." Why? "94%+ Hispanic population in Laredo." Who cares? I'm targeting it with a Country station that is successful. That means that there are Hispanics in Laredo that prefer to listen to Country. If you are going to sell them trucks or jeans or beer or whatever, why not use that station?

I really believe that there will be a mind shift at the way we look at things. We consider immigration the greatest source of the growth for the Hispanic market. I think when we start looking at all those people that are already here, those more assimilated, when we start targeting them specifically, we will really cross the bridge. That is my opinion.

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