

Radio Business Report™

Voice Of The Radio Broadcasting Industry®

January 21, 2002

Volume 19, Issue 2

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Issue Date: January 28, 2002

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David Kennedy

NAB Board vows to resist repeaters

The National Association of Broadcasters is resolute in its opposition to the establishment of a network of terrestrial repeaters by satellite broadcasters XM Satellite Radio (O:XMSR) and Sirius Satellite Radio (O:SIRD). "There is strong support for the NAB's insistence that the FCC take a hard look at terrestrial repeaters and what their ultimate purpose is," said NAB Joint Board Chairman **David Kennedy**, who more regularly occupies the office of President/COO, Susquehanna Radio Corp. The NAB board of directors met in Palm Beach, FL last week.

Continued work is planned to prevent satellite broadcasters from building a network of repeaters which could be used at some point to broadcast locally-oriented programming, or locally inserted advertisements. Building on the reactions of a thus-far receptive FCC, Radio Board Chairman **John Dille** plans to form an ad hoc committee to meet with regulators to keep this issue in sharp focus.

Kennedy told *RBR* that things may be starting to return to normal on the revenue front, although the radio industry is not out of the woods yet. "We've seen signs of improvement, but it's too early to call it a trend."

EVP Radio **John David** noted that the number of radio members is at an all-time high despite the exit of employees of Infinity (N:VIA) last year. The NAB is enticing new membership by offering a medical benefit plan to member stations which has the potential to significantly reduce employee-related overhead.

IBOC, which is slated for 2003 introduction, and receivers for which will be included in the Ford Motors lineup as early as 2004, is eagerly anticipated. Members favor deploying the new technology as rapidly as possible.

Efforts will be made to protect the eight-radio-stations-per-large-market superduopoly limit. The NAB will present evidence that consolidation has led to increased program diversity, and will further argue that the eight-station limit was mandated by Congress specifically and is not subject to FCC interpretation. According to Kennedy, there was no discussion whatsoever of making an attempt to achieve further relaxation of local limits.

The NAB continues to support a 35% national audience ownership cap for television station operators. It will also continue to work for the possible elimination of the broadcast/newspaper crossownership ban. It will continue to oppose the pending EchoStar/DirecTV merger, and will also continue its battle to prevent the "Toricelli amendment" on campaign finance reform from becoming law.—DS

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November revenues: Red ink continued to flow

The latest Radio Advertising Bureau radio revenue numbers are in, and they continue to point to a year which will wind up down 8%. This would mark the first negative result for radio since 1991, when the recession which helped end the White House days of the first President **George Bush** also knocked radio for a 2.8 percent loop.

November actually trended worse than the year as a whole, coming in 10% below results for the same month a year earlier. The combination of a 7% drop in local and a 19% drop in national business were the culprits. YTD, local is down only 5%, with national equaling the November monthly total at -19%.

RBR observation: We gave more than a well full of ink to radio's revenue gurus last week (*RBR* 1/14, p. 8-9), and got the most mixed bag of predictions we've ever seen. Gone entirely was the herding phenomenon which usually takes place, wherein everyone winds up in the same narrow range of positive predictions.

BIA's **Mark Fratrik** sees a 5.5% gain; Kagan's **Robin Flynn** is predicting a 3% gain; Universal-McCann's **Bob Coen** is expecting a 2% gain. Then come the two negative prognosticators. **Jim Duncan** of Duncan's American Radio is expecting revenues to be flat to down 3%; and finally, **Jack Myers** sees no end in sight and is predicting a loss of 4% for 2002.

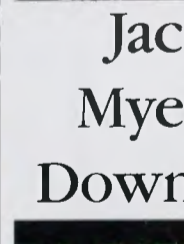
If there's any good news in this, it is that even the worst of these predictions are better than what radio actually did in November 2001 and in 2001 as a whole.—DS

Radio revenues, 11/01

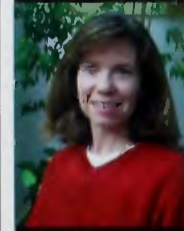
| | November | YTD |
|----------|----------|-----|
| Local | -7 | -5 |
| National | -19 | -19 |
| Total | -10 | -8 |



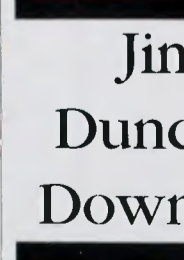
**Bob
Coen:
Up 2%**



**Jack
Myers:
Down 4%**



**Robin
Flynn:
Up 3%**



**Jim
Duncan:
Down 3%**



**Mark
Fratrik:
Up 5.5%**

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FL broadcasters to fight ad tax

The Florida Association of Broadcasters (FAB) is distributing spots to all radio and TV stations in the state to build public opposition to a 4% tax on advertising and other services proposed by State Senate President **John McKay** (R-Bradenton). The spots, unveiled after broadcasters met 1/11 in Tallahassee, claim that McKay's plan for a massive overhaul of Florida's tax structure will create a "gigantic tax increase for all Floridians."

Although McKay offered to exempt advertising from his bill to get their support, the broadcasters turned him down. "We're not taking a buyout," FAB President **Pat Roberts** told *RBR*. "We want the whole thing killed."

Roberts said McKay, who's retiring from politics after this year, is using a divide and conquer strategy to try to push through his massive tax overhaul bill. "We're not going to sell out other businesses. They're our advertisers," Roberts said.

FAB is working with other Florida business groups to attack the McKay tax plan. The website for their combined effort is axthetax.net.

Florida was the last state to adopt a tax on ad sales. The tax was adopted in 1987 and repealed after only a few months. Even so, it was said to have cost the Sunshine State's radio and TV stations \$80-90M in advertising cancellations by national advertisers.

FAB compiled a videotape on the impact of the 1987 ad tax debacle and sent it to every state legislator. 20 of those videos also contained special messages to specific state senators from constituent broadcasters.—JM

State of the Media Bureau

The Federal Communications Commission held an open meeting 1/17 for the purpose of outlining its agenda for the year ahead. There are six basic areas which will occupy the new Media Bureau, the new FCC division comprised of the old Mass Media and Cable bureaus.

1). Broadband deployment. Cable broadband is currently available to 70% of the US. The FCC will move to continually increase this number.

2). Competitive policy. The two big proposed mergers on the table at the moment are EchoStar/DirecTV and Comcast/AT&T.

3). Spectrum policy. The big issue will be band clearing as the transition to digital broadcast proceeds.

4). Digital transition. The FCC wants to continue to expedite the move to DTV, and has the major issue of DTV must carry to deal with. Additionally, the move to digital radio is on the front burner, along with the development of interactive TV.

5). Media ownership rules and regulations. Under the microscope: Local radio ownership caps, newspaper/broadcast crossownership, the 35% national audience cap on television ownership and cable vertical ownership.

6). Homeland security. Besides

continuing to monitor the technical recovery progress of those television and radio stations which lost their WTC towers 9/11, there will be continuing efforts to assure that vital communications will be available in the event of future crises.—DS

GM to offer XM in 23 models this fall

A huge leg up for XM Satellite Radio, GM announced it will offer OEM XM Radios in 23 models this fall, the start of the '03 model year. GM became the first auto manufacturer to offer XM as a factory option on '02 Cadillac DeVilles and Sevilles. Beginning this fall, the XM option will be available on the following models: Buick: Rendezvous, LeSabre; Cadillac: Escalade, Escalade EXT, DeVille, Seville; Chevrolet: Avalanche, Cavalier, Impala, Monte Carlo, Silverado, Suburban, Tahoe; GMC: Denali, Denali XL, Sierra, Yukon, Yukon XL; Oldsmobile: Alero; Pontiac: Aztek, Bonneville, Grand Am, and Sunfire.

As XM's largest shareholder, GM has a stronger interest in making XM work than any of competitor Sirius Satellite Radio's (O:SIRI) auto partners have. GM wants to see the stock price of its investment go up, and can certainly help by making it available to its car buyers.

Ford is a minor investor in Sirius, but not anywhere close to the level of GM in XM. Sirius has agreements to install radios in Ford, Chrysler, BMW, Mercedes-Benz, Jaguar, Volvo, Mazda, Dodge and Jeep. However, Sirius has made no new announcements from Sirius as to which vehicles its system will be in, other than BMW models in the second half of '02.

Sirius says it will launch in mid-February. "Daimler and Ford have not announced any specific vehicle plans. BMW will offer Sirius in the 3-, 5- and X-series. We have every expectation that we are going to have additional OEM programs for the 2003 model vehicles, which would be this year, but we can't at this point make any specific announcements with Daimler or Ford," Sirius spokesperson **Mindy Kramer** tells *RBR*.

RBR observation: Offering a factory-installed option still isn't as good as being standard equipment. It would be difficult to make satellite radio standard equipment until they drop the monthly subscription fee. In addition, those who don't want satellite radio would likely be annoyed with the added cost of a more expensive receiver, as well as the visible antenna. OnStar is now standard for 2002 on a variety of GM cars, as well as Acura, but is relatively inconspicuous.—CM

If you go by the old Wall Street saying "buy on the rumor, sell on the news," last Tuesday (1/15) was a day to sell shares of XM Satellite Radio (O:XMSR). The price shot up 22% to \$16.48 after General Motors (N:GM) announced that 23 more car and truck models would offer XM receivers as a factory-installed option for the 2003 model year. That was hardly news to anyone who followed XM at all. In fact, it wasn't even a rumor that GM would expand its offerings of XM receivers for 2003—both XM



Weyland debuts "The Mediator"

While there's been a lot of technological breakthroughs in the radio business over the last 20 years, most of them have been on the production side and programming side. In sales there's been Simmons, Tapscan and not much else.

The latest, "The Mediator," from Paul Weyland Training Seminars, brings a copyright-protected technology tool to the sale—and into the clients' hands. Launching this week, Mediator is Weyland's new downloadable Windows-based software application that runs on a laptop or Compaq iPAQ PDA handheld.

The local salesperson can and should use it as the crux of the sale. "I think that broadcast sales have always been encumbered because we don't do a Return on Investment-type sales pitch. The salespeople are not asking their clients for two critical pieces of information: What their average sale is and what their profit margin is," Weyland President **Paul Weyland** tells *RBR*. "And without this kind of information, the salesperson is blind. There's no way, for example, that you can manage that client's expectation about results. The salesperson and client never agree on a targetable number. So what we decided to do was invent a media ROI calculator that minimizes rate resistance and added value."

Initially, *RBR* readers can download the Mediator for free at RBR.com. Just type in the word **RBR** when asked for the password. Says Weyland: "We would provide it to them as a freebie, and then what we would hope would come from that is that they would want us to come in and train their sales staffs on how to use this kind of technology and how to go through this kind of process."

The general gist is the salesperson arrives with a laptop or PDA in hand and eventually presents the ROI analysis to the client. The station's profile is already loaded: total cume and average cost per spot. Mediator comes up with what the clients' budget really should be, based on desired ROI estimates—often upping budgets in the end. Additional information can be found at www.PaulWeyland.com.—CM

and GM had previously announced that would happen with the 2003 model year after beginning with two Cadillac models in the 2002 model year. All that happened last week was that GM issued a list of which models would be part of the 2003 expansion.—JM

RTNDA hooks up with NAB for 2002 convention

The Radio-Television News Directors Association is Las Vegas-bound. It will hold its 2003 convention in conjunction with the National Association of Broadcasters. The RTNDA event is scheduled to be held in the Las Vegas Hilton 4/8-10. The NAB will be next door at the Las Vegas Convention Center and the Sands Convention Center.

Said RTNDA President **Barbara Cochran**, "Holding the RTNDA conference at the NAB convention is a value-added opportunity for our members. Attendees can get all the training and networking they've come to expect from an RTNDA conference, plus the chance to shop the biggest and best broadcast technology show in the world."

NAB President/CEO **Eddie Fritts** was equally happy about the decision, saying, "This is a perfect fit for the NAB. We are always looking for ways to expand and enhance our convention. RTNDA is a first-class organization, and we believe our new partnership will be beneficial to both parties."—DS

Arbitron begins second phase PPM trials

Arbitron (N:ARB) announced 1/14 that it has begun recruiting consumers for the planned second and final phase of the U.S. market trial of its new Portable People Meter (PPM) media audience measurement device. Over the next 12 to 16 weeks, Arbitron expects to recruit 1,500 consumers, age 6+ in Philadelphia. Eight TV stations, 38 radio stations and 22 cable networks serving the Philadelphia market are participating, encoding their signals for PPM recognition.

Arbitron said results from the first phase of the PPM test indicated that the system is capturing TV viewing and radio listening that is not being measured by current audience measurement systems. The second phase will give the industry its first look at individual station ratings for radio and television as well as individual cable ratings generated by PPM with audience estimates. These estimates will then be compared with individual station and cable network ratings delivered by current audience measurement systems.

"Not only will we be able to make direct comparisons of station and cable outlet ratings, but the increased sample will also give us the critical mass we need to continue our efforts to refine the quality and capabilities of our new audience measurement system," said **Marshall Snyder**, President, Worldwide PPM Development.

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providing financial support as well as its television survey research expertise in the trial. Arbitron also said Nielsen has an option to join in the commercial deployment of the PPM.

RBR observation: For the PPM system to work, Arbitron must insert an inaudible code signal into each station's audio. The decoding device detects the code and time-stamps it. The collected codes are then credited to the source of the audio. How could Arbitron give a fair rating representation to broadcasters who refuse to allow the equipment to be installed (because they're non-subscribers, use Eastlan or just plain don't want it)?—CM

Attacking Dove leaves CCU Abilene unmolested

The acquisition of six Sunburst Media stations in the Abilene, TX market by Clear Channel (N:CCU) is at the ownership ceiling in Arbitron market #231. However, Dove Media, owner of KORQ-FM there, thought that there was one other station in the mix—KWKC-AM—and petitioned to have the deal undone on grounds that it resulted in a larger cluster than is allowed given the size of the market.

Why attribute KWKC to Clear Channel? There is no hint that CCU has any relationship whatsoever with KWKC's licensee, Dynamic Broadcasting. Rather, Dove is claiming that KWKC is running programming nine hours daily provided by CCU subsidiary Premiere Radio Networks. Dove argues that this is a form of time brokerage agreement.

However, network affiliation is not considered by the FCC to constitute the same level of control by the network as is implied by the broker of the station under an LMA or TBA. Only when the network has invested in the station (what the Commission calls an equity/debt plus, or EDP, relationship) above a certain level can the station be attributed to the owner of the network.

The FCC points out that it recently ruled on the definition of attributable interests, which ruling clearly excludes KWKC from the CCU station roster.

RBR observation: Clear Channel has on other occasions had the exact opposite reaction when moving into a new market where other owners were running Premiere product. In other places, owners already in the market have protested the fact that Clear Channel would possibly take away Premiere programming from soon-to-be competitors once it arrived in town. Actually, there's nothing saying that won't happen in Abilene. What it all seems to prove is that if you're big enough, you provide your enemies with all sorts of different avenues from which to attack.—DS

CCU signs with Tower America to market tower space

Clear Channel (N:CCU) signed a marketing agreement with Tower America 1/10 to lease space to wireless companies on its portfolio of 1,250 TV and radio antennas

nationwide. The arrangement adds to an existing agreement the companies announced last May for Tower America to market space for telecommunications antennas on its outdoor properties. "We're doing this with the hope of developing the added revenue stream and I think it's a win-win for everybody," **Bill Suffa**, CCU SVP Capital Management tells *RBR*.

American Tower (N:AMT) had previously handled tower leasing for CCU Radio/TV. CCU used to be a major shareholder of AMT and **Randall Mays** was a director, but CCU sold its AMT shares a few months ago and Mays resigned from the board. "American Tower hadn't previously done this for us on a groupwide basis, they managed a couple of individual sites, as does SpectraSite and others," says Suffa.

Will the Tower America deal move all those sites over? Says Suffa: "We are continuing to abide by the contract terms with the other tower managers, but this immediately takes all the unmanaged sites and gives them to Tower America."—CM

Eastlan scores another market

Bellingham, WA is the latest market added to the roster of radio ratings provider Eastlan. Measurement of listening levels is being initiated by Eastlan and client Saga Communications (A:SGA). Bellingham, in the northwest corner of the state, is said to have a population of 271K, which would rank it in the #150 area of the Arbitron market size list. The deal marks Saga's first use of Eastlan's services.—DS

Retail sales stronger than expected

A 0.1% decline in retail sales is nothing to write home about, but many analysts had been expecting much softer Christmas sales, so the 1/14 report from the Commerce Department was warmly greeted on Wall Street. Not only were December retail sales down only a tiny 0.1% to \$295.1B, but the Commerce Department also revised its November number upward from -3.6% to -3%.

For all of 2001, US retail sales rose 3.4%.—JM

Pearce pierced by FCC red flag

A deal proposed by Radio South under which it would add WSPZ-AM to a 1AM/3FM superduopoly cluster in the Tuscaloosa, AL market has been hit with an FCC red flag. "Based on our initial analysis of this application and other publicly available information, including advertising revenue share data from the BIA database," wrote the Commission, "the Commission intends to conduct additional analysis of the ownership concentration in the relevant market."

RBR observation: This is a small market (Arbitron #221), and is basically a two-radio owner duel (however, nearly 30 Arbitron 12+ shares go to stations outside of the Tuscaloosa

Television Business Report™

Paxson prices bond issue at 12.25%

Paxson Communications (A:PAX) has completed a sale of \$308M in new bonds—a slight increase of \$2M over the original offering plan. The sale refinanced an issue of existing 12.5% exchange debentures due in 2006 and while the offering extended the debt timeline, it didn't do much to reduce Paxson's interest costs. The new senior subordinated discount notes are due in 2009 and were priced to yield 12.25%.

TVBR observation: Wall Street still sees Paxson's seventh TV network as a risky venture, despite the apparent interest of several large media companies in replacing NBC as Bud's financial and programming partner.—JM

Paxson wins satellite must-carry

Bud Paxson can add another regulatory victory to his record. The FCC has ordered DirecTV to carry 36 Paxson Communications (A:PAX) O&O TV stations in 31 markets where DirecTV is offering local TV signals to its satellite TV subscribers. DirecTV had argued that Paxson gave up its right to have its individual stations carried on the satellite when it signed a deal to have its PAX network feed carried nationwide by DirecTV—but the two sides are now disputing whether or not that network feed agreement remains in effect. In any case, the FCC ruled that Paxson never waived its must-carry rights, so DirecTV has to carry the Paxson O&Os in the 31 local markets where the satellite service is now offering local TV signals. The FCC also rejected DirecTV's contention that the Commission didn't have the authority to decide the must-carry issue and that it should, instead, go to a federal court.

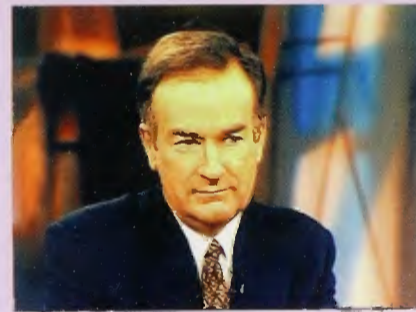
TVBR observation: It is never a good legal strategy to tell the FCC that it doesn't have the authority to enforce its own rules.

It appears Bud Paxson is now holding the better hand for this game of high-stakes poker with DirecTV. The satellite TV carrier can now either cut a single-channel national deal to carry PAX that's more to Bud's liking and get his to waive the local must-carry requirement—or it can endure the cost of providing bandwidth for each of those 36 stations (including a few that simulcast in-market!). Other than some local spots and, in many cases, a once-a-day local newscast produced by the local NBC partner, those PAX stations duplicate the national feed nearly 100%.—JM

CBS stays away from the hard stuff

According to various sources, CBS CEO **Les Moonves** told the Television Critics Association that his TV network would not be following NBC's lead by taking advertisements for distilled alcohol products. "I don't want to rule it out for the future," he was quoted as saying. "At this point in time, we don't think it's the right thing to do."

It was noted that the decision to eschew distiller's money is in part a nod to existing beer accounts which are regular customers on CBS's sports-laden schedule.—DS



Bill O'Reilly

NY Post: O'Reilly may end up on WOR in NY, against Hannity

While the latest rumors about Fox News Channels' **Bill O'Reilly** launching on radio with Westwood One in March (directly against **Rush Limbaugh** 12N-3P), still hold, the *NY Post* reports that O'Reilly and Fox News Channel/ABC Radio Networks' **Sean Hannity** "appear headed for a shootout in the radio corral" in NYC.

WOR is likely run O'Reilly's upcoming show directly against WABC-AM's Sean Hannity, according to WOR owner **Rick Buckley**.

Hannity airs live 3-6PM. "Bill has worked for us before, subbing for **Bob Grant**, and we've always liked his work," Buckley told *The Post*. "If [the show] comes to pass, we'll take a look at this scenario, that's for sure-absolutely. We think we'd be a natural for him."

WOR runs Bob Grant during Rush and doesn't want to move him for O'Reilly, the *Post* said. WOR is considering airing O'Reilly on tape to 3 p.m. when Hannity is on WABC and Grant's show two hours later, trimming the length of Grant's show from three hours to two. "O'Reilly would make a great kickoff for Bob," Buckley told the *Post*.—CM



Sean Hannity

market which are listed below the line, mostly out of Birmingham). There's the small, regional group in question—**Houston** and **Voncille Pearce's** Radio South, going head to head with another tiny, generally unknown radio company—Clear Channel (N:CCU). Both companies were working with 1AM/3FM clusters in Tuscaloosa before this deal was announced.

Clear Channel's cluster did a combined 25.8 rating 12+ in the Spring 2001 Arbitron; Radio South was right there with it with 24.6 combined (two other owners, with three stations between them, pulled a total of 5.6).

Would the addition of WSPZ tip the scales in favor of Radio South? Not if things remain as they have been over the last few books. The station, though licensed to

Tuscaloosa and reasonably well-powered for an AM at 5 kw-D, 1 kw-N, and therefore not some sort of rimshotter, has nonetheless failed to attract enough listeners to show in the Arbitron book under the care and feeding of proposed seller Willis Broadcasting. Radio South will have only the potential of using this AM to overtake Clear Channel.

There is another factor to consider. Three of Clear Channel's six Birmingham stations draw below-the-line numbers in Tuscaloosa—a combined 5.0, to be exact—giving CCU that much more muscle to flex in the area.

It is clear that, with a national base which is only about 1,200 stations ahead of that owned by Radio South, Clear Channel must be protected. It is good to see that the FCC is going to make sure that

the ferocious Pearce-juggernaut tactic of gobbling up an unrated AM station in a tiny market operation in the shadow of a much larger market will not be used against delicate and fragile CCU, and thus bring about the end of media competition in Tuscaloosa.—DS

Seattle gets first Spanish radio station

Salem's Inspiration Media's KKMO-AM Seattle has transformed from a Christian Talker to the city's first 24-hour "Radio Sol" Spanish-language radio station 1/15. The station offers News, Talk and Traffic KKMO joins KXPA-AM, which offers mostly Spanish and some Asian-language programming. In Seattle, the percentage of Latinos has doubled in the last 20 years, according to census figures.—CM

Emmis Sales Assault Plan is attempt to build brand and loyalty



Jeff Smulyan

Emmis Communications (O:EMMS) has nearly met the first objective of the Emmis Sales Assault Plan (ESAP) that CEO **Jeff Smulyan** announced publicly in July (RBR.com 7/25/01). In less than five months the company had recruited 88 new sales people for its radio, television and print operations—just a dozen shy of the goal of 100.

The recruiting/training program hasn't been derailed by the tough economy, which prompted Emmis to replace 10% of all staff salaries with company stock (RBR 11/26/01, p. 3). Rather, says Emmis spokeswoman **Kate Healey**, "We are developing an employer brand that is one of being especially concerned about our employees, even when making difficult cost-saving decisions like these."

Having declared that the company was out to hire the best people in the business—and in many cases hire them away from competitors—it fell to

Emmis' Human Resources department to make sure that the company could deliver on the promises that it was making to those sales pros.

"We identified the training needs right away," said **John Nelson**, Vice President of Human Resources, "not just for the people we were hiring, but also for the managers hiring them."

To begin the search for top sales candidates, Emmis turned to advertising.

"We used a national ad campaign. We actually ran ads in a lot of our magazines. Some of our TV and radio stations aired [spots]. We tried to brand Emmis as an 'employer of choice' in our industry—and really get the word out there that we're a great place for people to start their careers and really pump up what we're doing with sales people," said Nelson. "We wanted to get as many candidates in as possible. We also utilized job boards—things like Monster.com and HeadHunter.net. We also established an Internet-driven system where everyone who applies to our job board, internally, their resume goes into an internal database that can be searched. So, if someone applied for a sales job in LA and someone in Albuquerque is looking for a salesperson—they can go into our database and search it and that person in LA may come up as a person who would fit their job really well. And that's not just for salespeople—it's for all people applying for jobs at Emmis."

Emmis also established an employee referral program which pays Emmis employees bonuses for recommending successful candidates for job openings. "We believe we have a very good sales force and typically sales people are very well networked. They know people in their community. They know people in the sales world," Nelson said. "It gave them a chance to get a bonus for going out and recruiting some of the best sales people in the market."

From May through September, the first push in the Emmis Sales Assault Plan resulted in 88 new hires for sales positions—spread across the company's radio, TV and publishing units. Of course, the next step was to get them trained.

Actually, there was a step before that—training the people who would be responsible for the new recruits. By the time the resumes were coming in, Emmis had instituted new screening procedures to help their managers make better decisions about who to hire. Each manager received new training on interview and selection techniques.

All finalists to be hired took a sales assessment test, administered online by a service contracted by Emmis. Another outside contractor conducted background checks before

each new employee was hired.

To train all of those new hires, the company established Emmis Learning and hired a Chief Learning Officer, **Kathryn Maguire**—who was already at Emmis-owned Revenue Development Systems. Along with a couple of outside consultants, **Paul Anovick** and **Joy Baldrige**, Maguire developed a new leadership program for Emmis' sales managers.

Emmis conducted workshops for three levels of its sales management—for Regional VPs, for GMs and for Local and National Sales Managers—preparing them to oversee the new recruits.

"All of the new hires received training through an Internet-based program called Co-Learn," said Nelson. "Co-Learn is an automated, Internet-based training tool—it takes about 40 hours for each sales new hire to get through it. It's module-based—they work through it at their own pace. The managers get reports on the tests that they take. This way the manager helps the new sales person learn, but it's set up so that the sales people can go at their own pace. More importantly, they use real accounts, so it's not classroom case studies. When they use Co-Learn, they use real accounts or potential accounts to learn sales strategies and sales and closing techniques. It's real world, it's real time and it's at their own pace—and also the managers work very closely with them."

To ensure that the company is getting results from these initiatives, Emmis has created the "Smulyan Award of Excellence." The Co-Learn program measures and tracks the progress of each new sales person going through the course. Those who show the most improvement are honored with the award which bears the name of the company's founder and CEO.

"The thing about Co-Learn is that it allows you to track the accounts they're working on, the yield rate and the rate," Nelson noted. "With most traditional training, once they leave the classroom you just kind of hope they remember everything and you put them out in the field and hope that revenue goes up."

The company is also carefully tracking all costs associated with ESAP so the costs can be compared over time with the revenues generated by the ESAP recruits to see just how well the investment in the Emmis Sales Assault Plan is paying off.

"We're not just trying to benchmark against other people in our industry, but we're actually trying to bring in programs and initiatives that are world class across all businesses," said Nelson. "Whether it's the computer industry or the aerospace industry—whatever those people are doing with their sales people we're trying to identify the best sales practices and apply those to Emmis."—JM



John Nelson

Training pays off

Emmis already has success stories from its six-month-old Emmis Sales Assault Plan (ESAP). One such case is one of the new sales people hired to work only on new accounts.

"We had someone that was hired in the first couple of months of the program who in one sale has already funded the cost of ESAP," said **John Nelson**, Vice President of Human Resources at Emmis. The company isn't disclosing a lot of detail, but that big sale was by a new hire in the radio division. "That was a pretty big win, but it's kind of hard to generalize that. We have to almost ignore that and look at the sales success of all of the other people to see how it averages out."

Emmis is carefully tracking the progress of everyone hired under ESAP to measure the program's effectiveness.

"Certainly by the end of the fiscal year [2/28/02] we will have gotten our arms around it and have a better sense for what kind of return we got on our investment," Nelson said.—JM

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Upfront 2002: a look back

Part 1

While Upfront 2002 is still active among a handful of advertisers, for the vast majority it has been put to bed. A couple of tune-ins in the TV category are just about all that's left. Looking back at this unique and certainly eventful buying season, we asked a few of the participants on either side of the desk for their views. Given terrorism, recession and a gloomy holiday shopping season, this time around was a bit touch-and-go. How did it all end? What kind of taste did it leave in the buyers' and sellers' collective mouths? "It was certainly an interesting time to be doing an upfront. After a difficult 2001 all parties seemed to be realistic regarding the future, and therefore, negotiations were easier. We were left with a positive taste in the sense that there was more cooperation and collaboration, and we felt that we got more for our money than we got in the past," **Natalie Swed Stone**, Managing Partner/Director of National Radio Services, OMD USA, tells *RBR*.



Irene Katsnelson

Adds **Irene Katsnelson**, VP/Director of Network Radio, MediaVest: "We've been done for a while. It was definitely a 'buyers' market,' so it definitely left a very good taste. But then again, every year we pretty much do what we set out to do. It was expected, it wasn't anything shocking because we knew how the marketplace was pacing. And since we were in first, it's sort of given the advantage of 'OK, we'll take your money, what do you want us to do?' So in that respect it worked out fairly well."

The networks confirmed at presstime there's still some last-minute activity and certainly some accounts have gone from Upfront to scatter. Says Westwood One CEO **Joel Hollander**: "It's not done yet. It went to the middle of January last year. There's still a few pieces of business left. We're about 80% done. I think that we've been very creative packaging-, marketing- and promotions-wise with all of our big customers."

Jay Williams, American Urban Radio Networks President, is satisfied with AURN's upfront performance so far but agrees the books are still open for some: "I don't think it's over yet to be frank. There are still things in finalization for calendar year 2002. I'm pleased at the ongoing conversations and look forward to them concluding. We've had some surprising upward movement from the major clients. It's more than rates—I'm talking about larger commitments from major



Jay Williams

clients. We took the time to build the right relationships and sell the value of what we have to offer. And the clients' recognition of our increased marketing value has begun to show significant results," he tells *RBR*. "I'm a little shy from where I was this time last year in the upfront dollars, but my January already is booked over last January. My Q1 looks pretty decent, and I expect to hit what I did last Q1 or maybe luck out and go a little bit above."

Williams was happy to say one client that came back into the network radio marketplace this upfront was Domino's Pizza and that there's been some heavier spending by some key clients that are heavy users of network radio. What does he attribute this to? "Hard work and great leadership. Even though I have a really seasoned, older guys staff, they're still tigers."

"My overall sense is October turned out better than I expected. The timing of the marketplace moving was really not that different than it traditionally has been. '99 and '00 were definitely incredible times. We are all but done, I think there's one or two small things hanging out yet, and that's what happened traditionally," explains **Rhonda Monk**, Premiere Radio Networks EVP/Director of Sales. "By the beginning of January, we've placed 95% of the upfront. It didn't take longer, it didn't get as delayed as people were anticipating, so I feel very positive about that. The other signal is I would say 80% of the traditional advertisers, meaning big retailers, big package goods, the category of Travel, which I wasn't sure was going to happen, has returned. An expansion of advertising was experienced by Pharmaceutical, package goods and Restaurant/Fast Foods. A disappointment to a degree is clearly the percentage of money as it represents the total network radio marketplace. In the boom year of '00, probably 60% of all money that was going to be spent was done by November, and we just couldn't stay out of the way of it. I think about 25%-30% of what's projected to be spent in this medium was done in the upfront this time. It's significantly less than what's traditionally been put in the upfront."

She says Premiere will place liquor advertising on those networks with a huge adult audience: "We only will place it on stations where at least 80%-85% of the audience is over 21."



Rhonda Monk

Q1 scatter tight

After the tough upfront last year, some nets overcompensated by dropping rates this time around, going for share as much as possible in the upfront. The problem with that is some have a lower amount of scatter left, and it's been a scatter marketplace. Q1, according to the buyers, is a bit tight because of it. Says Katsnelson: "I do know there's a lot of activity going on right now for Q1. It doesn't impact us all that much because we're done with our upfront. But I know for some scatter business we had trouble getting inventory for Q1. It's so late that we're in Q1 and there's still Q1 business that hasn't wrapped up yet. Upfront has been pushed back to into Q1 when a lot of people are in the scatter market. It's really a combination of both. I think it's creating some inventory shortages right now."

Adds Swed Stone, "Certainly if networks had to give up more inventory for the same money that they gave in previous years, that would tighten it up right there. It's not that there's such an intense amount of scatter activity creating the pressure, but when you're doing more business at discounted



Natalie Swed Stone

rates, then there will naturally be less inventory remaining. But that was the sellers' strategy—I don't think anybody should be surprised, given the marketplace. The networks had a realistic sense going forward: sell as much as possible upfront, rely less on scatter. And that's about where they are now, because at this point in the game, you don't want to be sitting there with an overabundance of inventory. You want to be sitting there with a moderate amount of inventory for those clients who come in with a moderate amount of scatter money."

Not only is Q1 tight because of less scatter inventory, but also advertisers are getting aggressive. "Actually, it is getting a little tight. We're in scatter right now. I think that

there are a lot of clients that are trying to jump-start the new year business that are getting back into the marketplace. I think there's a feeling that we've hit the bottom and it's time to start trying to spur some sales. It's not like it's money that's been held back, it's the same clients going on the air again and actually, they're being kind of aggressive," says **Karen Agresti**, SVP/Director of Local Broadcast, Hill, Holliday. "So that's a good sign, and maybe it means that everybody is going to start turning around. I do definitely notice that there's no hesitancy about getting back on air."

The networks see it too. ABC Radio Networks President **Traug Keller** explains from his perspective: "We're finding the upfront did happen late and the trend that existed in November and December has contributed to a busy scatter marketplace. As I look at the Miller, Kaplans, it looks like we're getting hammered if you go two-three months out. And then as each week creeps along, we wind up doing better and better. These buyers saying Q1 is tight is affirmation to what we expected. We still have a decent amount of inventory, not an overabundance of it, but enough to make hay in the scatter. What we realized was the upfront was not

going to be great. And we wanted to do business with our regular customers, but we didn't want to give away the store because if the trend of last minute scatter continues, we wanted to be able to have inventory to take care of that. That's what we're seeing happening."

Monk says it all depends on what properties you're looking at. "The biggest categories in network radio are Retail, Restaurant and Tune-in categories. Typically, those kinds of accounts are very day and daypart-specific with cutoffs and so forth. I think for those types of advertisers that have a very small window, they're going to run into that," she explains. "Some RADAR properties are in very high demand and offer limited inventory. So, yes, I'd say there's a tightness on certain vehicles."



Traug Keller

Says Williams: "Q1 is tightening and we see the heavier involvement particularly in some retail clients who depend on store traffic. The commitments are larger and continue to build revenues. Some significant new categories are coming in, some new brands coming into the marketplace that had not been involved before. New pharmaceutical brands. I think we're the only ones participating in some of the other new categories that popped up, to tell you the truth. They really analyzed and targeted and came to the conclusion that we fit the target of what they wanted to do better than anybody."

Could all of this mean a healthy Q1 for network radio? "I think it's going to end up being OK," says Katsnelson. "I think it's going to be pacing OK. I think the networks are more pleasantly surprised at all of the late minute pieces of business that came in, I mean that's what I've been hearing."

In Part II, the networks discuss and analyze their performance in the recent RADAR 71, discuss this Upfront's somewhat different tone of negotiations, why so many spent so much so late and what networks can do in improving quality and frequency.

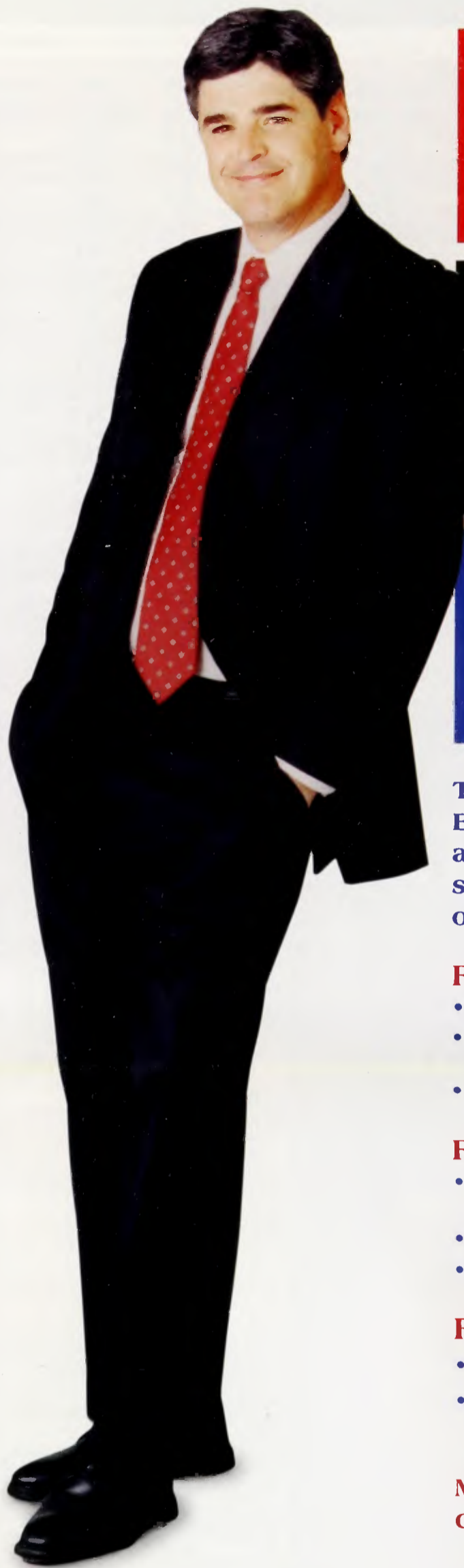
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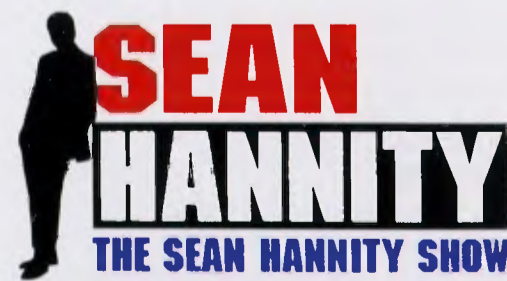
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La explosion de la poblacion pondra algun 'pop' en la formato hispano Burgeoning population will put some pop in Hispanic format



Mac Tichenor

Purveyors of Hispanic radio programming in the United States are looking forward to a boom period. And they can look forward to it with far more confidence than any other broadcast group, because the numbers working in their favor are rock solid.

These numbers cannot be touched by a soft economy, or even a deep recession. They are dot-com proof. They are immune from the aftermath of a terrorist attack.

The numbers represent the fastest growing population segment in the United States. Hispanic broadcasters aren't seeking out an audience as are most in the radio business. To a large extent, an audience is seeking them, and no less of an authority than the United States government is providing the key marketing push for Hispanic broadcasters. The government's biggest aid is a research tool—Census 2000.

"The basic fundamental of our business is that we are serving a very fast-growing and dynamic portion of the US population," Hispanic Broadcasting Corp. (N:HSP) President/CEO **Mac Tichenor** told a UBS Warburg conference in New York last month. "The Hispanic population always grows some three to five times faster than the general market population. The 2000 Census actually showed that over the last 10 years the Hispanic population grew at a little over six times the rate of the non-Hispanic population in the US, 4.7% per year over that period compared to 0.8% for the general market."

Although Hispanics account for only 12.5% of the total US population, they provided 40% of the total growth over the 10 years between Census surveys. Tichenor expects that the Hispanic population will continue to grow at a faster rate.

Overall, the Hispanic population has grown 57.8% over the 10 years between Census reports. More impressive is the growth of the Hispanic population in terms of overall wealth. Hispanic buying power has more than doubled, up an astonishing 102.2%, according to figures from the University of Georgia's Selig Center for Economic Growth.

At 12.5%, the Hispanic population has pulled into a virtual tie with the African-Americans as the leading minority group in the US, and with its higher growth rate, should have a clear lead in a very short time.

Hispanic population growth

| | 1900 | 2000 |
|-----------|-------|-------|
| Total pop | 22.4M | 35.3M |
| Pct. | 9.0% | 12.5% |

Source: US Census Bureau

Where the Hispanics are: Top Arbitron markets

Arbitron's Fall 2001 survey includes 68 markets which have an Hispanic population significant enough to warrant special procedures to ensure that the ethnic population is accurately represented in the survey results. The 2001 numbers incorporate new data gathered by the US government in Census 2000.

Note that most markets experienced a gain in the percentage of Hispanics from 2000 to 2001. Hispanics are by far the most rapidly-growing segment of the US population, and that fact is clearly represented here.

The bulk of the Hispanic population is concentrated in California and Texas. There is a significant showing in the desert states along the Mexican border, as well as the Rocky Mountain states just to their north. A large Hispanic cell exists in Miami, and the Hispanic population has been spilling into other Florida markets (West Palm Beach, Fort Myers and Orlando) in significant numbers the past few years.

Among northern cities, New York and Chicago have long had significant Hispanic populations. Now more cities are slowly being added to the list. Places like Boston and Hartford are beckoning from New England, Washington, DC is attracting a large Hispanic population, and Philadelphia and Nassau-Suffolk are becoming growth markets.

Other than Florida, there is almost no significant Hispanic population in the south; likewise the midwest except for Chicago.

Only markets which are subject to special reporting conditions are listed here. The largest market not on the list is #10 Detroit. Its Fall 2000 total of 88.4K Hispanics (2.3% of the total market 12+ population) would place it 42nd, just ahead of Hartford, if it were included on the chart.

To add some perspective to the rapid growth of the Hispanic population cell, we have added a column to the chart showing the Hispanic percentage for each market based on the Arbitron Fall 1993. In all cases where the market was in place back then, the Hispanic percentage has increased, and in most cases it is up significantly.

| Hispanic Rank | Market | 2001 Hispanic 12+ (000) | 2001 Hispanic % | 2000 Hispanic % | 1993 Hispanic % | Overall Rank |
|---------------|-------------------|-------------------------|-----------------|-----------------|-----------------|--------------|
| 1 | Los Angeles | 4,017.7 | 39.0 | 38.4 | 33.6 | 2 |
| 2 | New York | 2,930.1 | 19.2 | 18.8 | 15.7 | 1 |
| 3 | Miami | 1,402.2 | 41.4 | 40.0 | 35.1 | 12 |
| 4 | Chicago | 1,170.6 | 15.7 | 13.4 | 10.5 | 3 |
| 5 | Houston | 1,068.9 | 27.7 | 23.6 | 20.2 | 9 |
| 6 | San Francisco | 1,057.2 | 18.2 | 18.3 | 14.6 | 4 |
| 7 | Dallas | 892.9 | 20.8 | 15.1 | 12.7 | 5 |
| 8 | San Antonio | 684.5 | 48.2 | 51.8 | 44.7 | 31 |
| 9 | McAllen | 621.2 | 85.4 | 86.1 | 80.6 | 63 |
| 10 | Phoenix | 610.3 | 23.1 | 18.2 | 14.6 | 15 |
| 11 | San Diego | 595.8 | 25.1 | 24.8 | 19.5 | 17 |
| 12 | Riverside | 550.5 | 36.6 | 32.3 | 24.1 | 28 |
| 13 | El Paso | 425.0 | 78.0 | 74.2 | 67.8 | 77 |
| 14 | Washington | 361.0 | 9.3 | 8.1 | 6.0 | 7 |
| 15 | Denver | 346.9 | 17.0 | 13.1 | 11.3 | 22 |
| 16 | San Jose | 316.3 | 22.1 | 24.3 | 19.8 | 30 |
| 17 | Fresno | 268.1 | 42.1 | 41.0 | 33.8 | 68 |
| 18 | Las Vegas | 264.9 | 21.7 | 17.8 | 10.9 | 41 |
| 19 | Austin | 264.6 | 24.7 | 24.8 | 18.9 | 43 |
| 20 | Nassau-Suffolk | 242.4 | 10.3 | 8.0 | 6.5 | 18 |
| 21 | Albuquerque | 235.6 | 39.9 | 37.8 | 33.2 | 72 |
| 22 | Boston | 234.7 | 6.1 | 5.7 | 4.8 | 8 |
| 23 | Orlando | 231.2 | 18.7 | 13.3 | 9.8 | 39 |
| 24 | Tampa | 218.3 | 10.3 | 10.0 | 6.7 | 21 |
| 25 | Sacramento | 214.9 | 13.9 | 13.9 | 10.8 | 27 |
| 26 | Monterey | 201.5 | 36.9 | 32.8 | 26.4 | 76 |
| 27 | Philadelphia | 196.8 | 4.7 | 4.4 | 3.4 | 6 |
| 28 | Middlesex | 196.2 | 14.4 | 12.9 | n/a | 33 |
| 29 | Tucson | 196.0 | 27.1 | 27.2 | 22.3 | 64 |
| 30 | Visalia | 184.6 | 46.8 | 43.1 | n/a | 111 |
| 31 | Bakersfield | 179.0 | 39.5 | 36.7 | 28.8 | 90 |
| 32 | Corpus Christi | 161.2 | 52.5 | 58.0 | 49.4 | 134 |
| 33 | Oxnard | 157.3 | 40.7 | 40.9 | 32.4 | 115 |
| 34 | Portland OR | 153.1 | 8.3 | 6.0 | 3.8 | 24 |
| 35 | Laredo | 144.9 | 93.8 | 95.2 | n/a | 210 |
| 36 | Stockton | 135.4 | 29.5 | 28.2 | 22.9 | 87 |
| 37 | Salt Lake City | 134.4 | 9.9 | 7.8 | 5.1 | 34 |
| 38 | West Palm Beach | 123.7 | 12.2 | 10.8 | 7.7 | 47 |
| 39 | Westchester | 122.2 | 15.3 | 11.6 | n/a | 59 |
| 40 | Modesto | 108.1 | 30.0 | 26.4 | 20.8 | 123 |
| 41 | Palm Springs | 100.7 | 41.3 | 40.0 | 33.6 | 158 |
| 42 | Hartford | 88.1 | 8.9 | 8.1 | 6.8 | 49 |
| 43 | Fort Myers | 77.1 | 12.4 | 10.0 | *6.8 | 70 |
| 44 | Merced | 72.8 | 41.1 | 35.8 | n/a | 196 |
| 45 | Santa Rosa | 64.3 | 16.5 | 13.5 | 10.2 | 114 |
| 46 | Odessa-Midland | 62.5 | 33.5 | 29.6 | 24.9 | 187 |
| 47 | Yakima | 59.4 | 32.8 | 29.3 | 21.8 | 190 |
| 48 | Santa Maria | 58.8 | 34.9 | 34.1 | n/a | 201 |
| 49 | Reno | 53.9 | 15.7 | 13.8 | 8.8 | 127 |
| 50 | Santa Fe | 53.5 | 42.4 | 45.1 | 39.4 | 238 |
| 51 | Bridgeport | 51.5 | 12.9 | 11.8 | 9.8 | 110 |
| 52 | Lubbock | 49.9 | 25.0 | 26.3 | 20.7 | 180 |
| 53 | Santa Barbara | 48.9 | 29.0 | 28.1 | 24.3 | 200 |
| 54 | Colorado Springs | 46.0 | 10.7 | 10.3 | 7.9 | 96 |
| 55 | Fort Collins | 43.9 | 13.2 | 12.7 | n/a | 129 |
| 56 | Pueblo | 42.7 | 36.5 | 39.3 | 33.3 | 246 |
| 57 | Killeen-Temple | 36.7 | 14.5 | 15.4 | 11.3 | 154 |
| 58 | San Luis Obispo | 32.6 | 15.3 | 16.5 | 12.9 | 173 |
| 59 | Amarillo | 32.1 | 17.8 | 15.1 | 12.4 | 191 |
| 60 | Tri-Cities WA | 29.8 | 19.1 | 16.4 | 12.4 | 209 |
| 61 | Waco | 29.1 | 16.3 | 14.6 | 11.5 | 193 |
| 62 | San Angelo | 24.0 | 28.2 | 30.0 | 23.7 | 270 |
| 63 | Flagstaff | 23.8 | 9.7 | 9.5 | n/a | 157 |
| 64 | Bryan-College Stn | 21.7 | 16.6 | 16.4 | 13.0 | 232 |
| 65 | Abilene TX | 20.4 | 15.5 | 16.1 | 12.4 | 231 |
| 66 | Chico CA | 16.3 | 9.5 | 9.6 | 7.0 | 199 |
| 67 | Wichita Falls | 12.5 | 10.7 | 10.0 | 7.9 | 250 |
| 68 | Cheyenne | 6.6 | 9.9 | 10.5 | 9.1 | 281 |

Sources: Arbitron, RBR Source Guide

* Ft. Myers 1993 % includes population totals from Naples-Marco Island, which was separate then but since has been merged into the Ft. Myers market. Ft. Myers' Hispanic percent in Fa93 was 4.3%, Naples was 12.4%

Aves of a feather flock together

That's aves as in the Spanish word for bird, not the English abbreviation for avenue. And it's another benefit to serving this market. Hispanics tend to group together in relatively few locations. Said Tichenor, "They're concentrated in seven states: New York, New Jersey, Florida, Texas, California and New Mexico."

In fact, if one were to target the top 20 US radio markets as defined by Arbitron, you'd reach 66.7% of the Hispanic population, according to Tichenor, who speculated that it would take approximately 100 markets to achieve the same results for the general population. "If you're a marketer in the US, it's a group with such critical mass that you can't ignore it," he said.

For radio operator and advertiser alike the advantages are obvious—the Hispanic population can be targeted more efficiently than the mainstream population. It is a cost-effective arrangement in terms of building a radio group and executing a media buy.

Hispanic formats should carry more weight in the Arbitrons

Arbitron takes special care to get diaries into the hands of Hispanic listeners in markets where there is a large presence of the ethnic group. Armed with the new census, the ratings company has adjusted the weighting Hispanic diaries receive. The rapid growth of the population has worked in its favor, and in most of the markets where special Hispanic diary placement procedures are in place, the weight has gone up, sometimes dramatically. In the top 15 Hispanic markets, weighting is up 9.0%; in the top ten it's up 10.3%.

The chart below shows the change in weighting for the top 10 Hispanic markets by total 12+ population.

| Rank | Market | Change |
|------|---------------|--------|
| 1 | Los Angeles | 1.5% |
| 2 | New York | 9.3% |
| 3 | Miami | 9.5% |
| 4 | Chicago | 21.1% |
| 5 | Houston | 23.0% |
| 6 | San Francisco | -3.3% |
| 7 | Dallas | 47.8% |
| 8 | San Antonio | -3.4% |
| 9 | McAllen | 5.9% |
| 10 | Phoenix | 35.2% |

Note the change in Dallas. 47.8%. Hispanic formatted stations almost can't help but pick up a major head of steam as new ratings books come out. There should also be a nice surge in the ratings in places like Phoenix, where Tichenor's HBC has managed to add four FMs (for five total) in a \$34M deal with Big City (RBR 9/10/01, p.6). Chicago and Houston are another step down the ladder, but still have hefty increases of over 20%. And the 9.5% and 9.3%

increases in Miami and New York respectively are nothing to sneeze at. 9.3% is especially significant in New York, where huge battles can be fought over a tenth of a ratings point.

The Hispanic population, as mentioned earlier, equals 12.5% of the total US population. In the top 15 Hispanic markets, it represents 28% of the population. With such a ready-made advantage built into these places, it does not take a rocket scientist to recognize the possibilities these markets present for an Hispanic formatted station.

And the future is even brighter. Explains Tichenor, "Looking at the 12+ numbers—the Arbitron universe—you'll see the numbers are slightly smaller than for the total US population, 11.4% of the total 12+ population, up from 8.2% in 1990—and the 11.4% compares with 12.5% [the Hispanic percentage of the total US population when children are included]. And that just tells you that a huge portion of the US Hispanic population is under 12 years of age. There are a lot of kids in this population, which we think is very bullish for our business. There's a big pipeline of Hispanics who are and will be radio listeners."

RBR has included a complete list of the 68 markets which are on the Arbitron Hispanic weighting list on page 8.

Hispanic media is growing across the board

The amount of money spent with Hispanic media outlets is growing by leaps and bounds every year. From 1997 to 2000 (the last year for which we have final results), total Hispanic advertising expenditures went from \$1.41B to \$2.13B, and increase of 51.3%. [We suspect that, like all other media, the string of growth years for Hispanic media will be broken once final results for 2001 are in.]

Radio trails only television both in total dollars and growth rate. Its total take, which has gone from \$375M to \$558M, is up almost 50% from 1997 to 2000.

As the realities of the size and location of the Hispanic market kick in with marketers, agencies and advertisers, these numbers have the potential to continue to surge well above the rate of mainstream media outlets.

US Spanish language advertising (\$ in millions)

| | 1997 | 1998 | 1999 | 2000 | *CAGR |
|------------|---------|---------|---------|---------|-------|
| Television | \$780 | \$997 | \$1,091 | \$1,251 | 17.1% |
| Radio | \$375 | \$440 | \$508 | \$558 | 14.2% |
| Newspapers | \$163 | \$174 | \$183 | \$199 | 6.9% |
| Outdoor | \$51 | \$57 | \$62 | \$67 | 9.5% |
| Magazines | \$39 | \$43 | \$47 | \$55 | 12.1% |
| Total | \$1,408 | \$1,710 | \$1,890 | \$2,130 | 14.8% |

*CAGR = cumulative annual growth rate

Source: Hispanic Business Magazine, Veronis Suhler

Our New Year's Resolution: More, Better, Hotter.

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Top Hispanic groups

Broadcast Investment Analysts provided *RBR* with its latest take on the top 50 groups in the US in terms of revenue in early December of last year. Eight companies with significant Hispanic holdings made the list, and are presented in the chart below.

Hispanic Broadcasting Corp. (N:HSP) is far and away the biggest operator. It is in almost all of the largest Hispanic markets. However, its presence outside the largest markets is negligible. In this respect, it is the Infinity (N:VIA) of Hispanic broadcasters, playing strictly in the major league venues.

Spanish Broadcasting System (O:SBSA) is built along those same lines, although it doesn't go quite as deep as HBC (the Emmis of Hispanic groups?). It has a large presence in Puerto Rico—other than that, it goes head-to-head with HBC in every single one of its markets.

Entravision (N:EVC) (the Entercom of Hispanic radio?) has stations in some but not all of the largest Hispanic markets. It is also in a lot of smaller locations, particularly in California, Texas and the other southwestern desert states. Many of these stations came from its acquisition of the Z-Spanish group back in the spring of 2000.

Lieberman has long been a fixture in the all-important Los Angeles market and achieved group status by picking up a superduopoly cluster in Houston during the Clear Channel/AMFM sell-off derby a year ago.

Mega has been pursuing a different strategy than the others. It is spread up and down the east coast, trying to benefit by being first-one-in in markets which aren't necessarily the biggest in terms of Hispanic percentage, but which nonetheless have large Hispanic populations because the markets themselves are so large. These include Washington, Boston, Philadelphia, Hartford and Tampa, among others. Most of the group's properties are on the AM dial, where buyable stations are much easier to find.

Lotus has a mixed bag: It runs Hispanic formats in Los Angeles/San Diego, Fresno, and Bakersfield, and runs mainstream formats in San Antonio, Las Vegas, Tucson and Reno. Big City (A:YM) runs Hispanic formats its Los Angeles-San Diego-Oxnard Southern California trimulcast, and has introduced Hispanic programming into its Chicago cluster. It runs Country in the New York area, although that may change. Arso's cluster is located in Puerto Rico.

Four of the groups listed here are publicly traded—Hispanic, SBS, Entravision and Big City. A fifth Hispanic group is also part of the stock market scene. Radio Unica (O:UNCA), a Spanish News-Talk specialist with both a network and a flotilla of AM O&O stations, did not pull in enough revenue to make the BIA chart, although some of its properties are starting to show up in the Arbitron rankings.

BIA Financial Network estimates of 2000 revenues (pro forma for acquisitions)

| Rank | Owner | Est Rev (in \$000) | # stns | # mkts |
|------|-------------|--------------------|--------|--------|
| 10 | Hispanic | 261,100 | 54 | 14 |
| 14 | SBS | 149,000 | 26 | 8 |
| 21 | Entravision | 65,250 | 52 | 23 |
| 29 | Lotus | 38,850 | 24 | 7 |
| 32 | Lieberman | 32,650 | 10 | 2 |
| 38 | Arso | 27,300 | 14 | 1 |
| 45 | Big City | 24,050 | 12 | 8 |
| 50 | Mega | 21,400 | 18 | 9 |

Source: BIAfn MEDIA Access Pro, 11/20/01

Radio wars: The battle for the top 10 Hispanic markets

The dominance of Hispanic Broadcasting Corp. in the Hispanic arena is demonstrated by a glance at the top ten Hispanic markets. HBC is a major player in every last one of them, and has the top-rated Hispanic station in all but two—Spanish Broadcasting System takes top-slot honors in New York and Chicago.

Looking ahead to the future, we can expect a great deal of trading activity on the Hispanic front in a great number of markets. This list only includes the top ten Hispanic markets, and you'd think at least here the format group would be fairly well entrenched. However, that is not the case. In particular, San Francisco, Dallas and Phoenix seem underserved, although HBC has already acted in the latter market.

In general, the Hispanic population is moving and growing much faster than the Hispanic radio groups can. New markets are opening up all over the place and existing markets are getting bigger. In both cases, opportunities abound for growth among this select group of radio companies.

The charts below list stations from the most recent Arbitron book available in the *RBR* offices (we have a smattering of Fall 2001 books; the rest are Summer 2001 and Spring 2001 for non-continuous market McAllen-Brownsville). Only stations which received ratings are listed. Many of the Hispanic owners have one or more stations in these markets which did not get enough listening to show in the book.

Format abbreviations: Mex = Regional Mexican; Ctp = Spanish Contemporary; NT = Spanish News-Talk; Tej = Tejano; Rel = Spanish Religion; Var = Spanish Variety; Trop = Tropical; Old = Spanish Oldies.

Los Angeles (#1 Hispanic, #2 US)

| Rank | Calls | Fmt | Owner | Fa01 |
|------|---------|-----|-------------|------|
| 1 | KSCA-FM | Mex | HBC | 4.2 |
| 2 | KLVE-FM | Ctp | HBC | 3.6 |
| 3 | KLAX-FM | Mex | SBS | 2.2 |
| 4 | KBUE-FM | Mex | Lieberman | 2.1 |
| 5 | KXOL-FM | Ctp | SBS | 1.9 |
| 6 | KBLA | NT | Unica | 1.1 |
| 6 | KSSE-FM | Ctp | Entravision | 1.1 |
| 8 | KLYY-FM | Ctp | Big City | 1.0 |
| 9 | KLTX | Rel | Salem | 0.9 |
| 9 | KWIZ-FM | Ctp | Lieberman | 0.9 |
| 11 | KHJ | Mex | Lieberman | 0.7 |
| 11 | KWKW | NT | Lotus | 0.7 |
| 13 | KTNQ | Var | HBC | 0.6 |
| 14 | KRCDFM | Var | HBC | 0.5 |
| 14 | KRCV-FM | Var | HBC | 0.5 |
| 16 | KBUA-FM | Mex | Lieberman | 0.3 |
| 16 | KSSC-FM | Ctp | Entravision | 0.3 |

New York (#2 Hispanic, #1 US)

| Rank | Calls | Fmt | Owner | Fa01 |
|------|---------|------|-------|------|
| 1 | WSKQ-FM | Trop | SBS | 4.1 |
| 2 | WPAT-FM | Ctp | SBS | 2.4 |
| 3 | WADO | NT | HBC | 1.6 |
| 3 | WCAA-FM | Var | HBC | 1.6 |
| 5 | WWRU | NT | Unica | 0.5 |
| 6 | WNNY | NT | Mega | 0.3 |

Miami (#3 Hispanic, #12 US)

| Rank | Calls | Fmt | Owner | Su01 |
|------|---------|------|-----------|------|
| 1 | WAQI | Var | HBC | 5.1 |
| 2 | WAMR-FM | Ctp | HBC | 4.1 |
| 3 | WRTO-FM | Trop | HBC | 3.5 |
| 4 | WCMQ-FM | Old | SBS | 3.4 |
| 5 | WRMA-FM | Ctp | SBS | 3.0 |
| 5 | WXDJ-FM | Trop | SBS | 3.0 |
| 7 | WQBA | NT | HBC | 2.2 |
| 8 | WSUA | Ctp | WSUA | 1.6 |
| 9 | WNMA | NT | Unica | 0.7 |
| 10 | WACC | Var | RadPeace | 0.5 |
| 11 | WKAT | Ctp | New World | 0.4 |
| 12 | WWFE | NT | Fenix | 0.5 |

Chicago (#4 Hispanic, #3 US)

| Rank | Calls | Fmt | Owner | Fa01 |
|------|---------|------|-------------|------|
| 1 | WLEY-FM | Mx | SBS | 2.6 |
| 2 | WOJO-FM | Mex | HBC | 2.3 |
| 3 | WLXX | Trop | HBC | 0.6 |
| 4 | WNTD | NT | Unica | 0.5 |
| 4 | WXXY-FM | Ctp | Big City | 0.5 |
| 6 | WIND | NT | HBC | 0.4 |
| 7 | WRZA-FM | Ctp | Entravision | 0.2 |
| 8 | WZCH-FM | Ctp | Entravision | 0.1 |
| 9 | WYXX-FM | Ctp | Big City | 0.0 |

Houston (#5 Hispanic, #9 US)

| Rank | Calls | Fmt | Owner | Su01 |
|------|---------|-----|-----------|------|
| 1 | KLTN-FM | Mex | HBC | 4.6 |
| 2 | KOVE-FM | Ctp | HBC | 1.5 |
| 3 | KTJM-FM | Mex | Lieberman | 1.4 |
| 4 | KLAT | NT | HBC | 1.3 |
| 4 | KRTX-FM | Ctp | El Dorado | 1.3 |
| 6 | KQQK-FM | Tej | HBC | 1.2 |
| 7 | KQUE | Mex | Lieberman | 0.6 |
| 8 | KEYH | Mex | El Dorado | 0.4 |
| 8 | KOVA-FM | Ctp | HBC | 0.4 |
| 10 | KJOJ-FM | Mex | Lieberman | 0.3 |

San Francisco (#6 Hispanic, #4 US)

| Rank | Calls | Fmt | Owner | Su01 |
|------|----------|-----|-------------|------|
| 1 | KSOL-FM | Mex | HBC | 2.6 |
| 2 | *KBRG-FM | Ctp | Entravision | 2.0 |
| 3 | KIQI | NT | Unica | 1.2 |
| 4 | *KLOK | Mex | Entravision | 0.8 |
| 5 | KZOL-FM | Mex | HBC | 0.6 |

* Stations are home to embedded San Jose market
Note: HBC just announced its pending acquisition of English AC KARA, which predominantly serves San Jose, which is embedded into the San Francisco market

Dallas (#7 Hispanic, #5 US)

| Rank | Calls | Fmt | Owner | Su01 |
|------|---------|-----|-------------|------|
| 1 | KLNO-FM | Mex | HBC | 3.1 |
| 2 | KHCK-FM | Tej | HBC | 0.7 |
| 2 | KTCY-FM | Mex | SBS | 0.7 |
| 2 | KZMP-FM | Mex | Entravision | 0.7 |
| 5 | KESS | Var | HBC | 0.5 |
| 6 | KZMP | Mex | Entravision | 0.2 |

San Antonio (#8 Hispanic, #31 US)

| Rank | Calls | Fmt | Owner | Su01 |
|------|---------|-----|-------|------|
| 1 | KBBT-FM | Ctp | HBC | 8.2 |
| 2 | KXTN-FM | Tej | HBC | 5.5 |
| 3 | KCOR-FM | Var | HBC | 3.3 |
| 3 | KROM-FM | Mex | HBC | 3.3 |
| 5 | KLEY-FM | Mex | SBS | 2.2 |
| 6 | KCOR | NT | HBC | 1.1 |
| 7 | KEDA | Tej | D&E | 1.0 |
| 8 | KZDC | NT | Unica | 0.9 |
| 9 | KSAH | Mex | SBS | 0.6 |

McAllen (#9 Hispanic, #63 US)

| Rank | Calls | Fmt | Owner | Sp01 |
|------|---------|-----|-------------|------|
| 1 | KGBT-FM | Mex | HBC | 12.3 |
| 2 | KKPS-FM | Tej | Entravision | 9.1 |
| 3 | KIWW-FM | Tej | HBC | 4.3 |
| 4 | KGBT | NT | HBC | 3.4 |
| 5 | KBOR-FM | Mex | La Nueva | 1.4 |
| 5 | KTJN-FM | Mex | La Nueva | 1.4 |
| 7 | KIRT | Mex | Iglesia | 1.0 |
| 8 | KILM-FM | Mex | Sendero | 0.8 |
| 9 | KQXX | Old | La Nueva | 0.7 |
| 9 | KVJY | NT | Unica | 0.7 |
| 11 | KBOR | Mex | La Nueva | 0.6 |
| 12 | KJAV-FM | Var | Bernal | 0.5 |
| 12 | KUBR | Ctp | Bernal | 0.5 |

Note: Entravision owns three English-formatted FMs

Phoenix (#10 Hispanic, #15 US)

| Rank | Calls | Fmt | Owner | Su01 |
|------|---------|-----|-------------|------|
| 1 | KHOT-FM | Mex | HBC | 2.1 |
| 1 | KLNZ-FM | Mex | Entravision | 2.1 |
| 3 | KVVA-FM | Ctp | Entravision | 0.9 |
| 4 | KIDR | NT | Unica | 0.5 |
| 5 | KDVA-FM | Ctp | Entravision | 0.3 |

Note: HBC is acquiring four FMs from Big City
Source: Arbitron, *RBR* Market Profile database

Slicing and dicing the Hispanic formats

The Hispanic formats are still chasing the population in terms of matching percentages. For example, Hispanic-formatted stations in Los Angeles claimed 24.2 shares in the Fall 2000 Arbitron survey, good for first place among format groups, but the number seems low when compared to the 38.4% Hispanic population at that time. Similarly, in New York, Hispanic stations grabbed only 10.9 shares despite an 18.8% share of the population.

This tendency figures to hold true. Hispanic ethnicity does not dictate tuning into a Spanish-language station. Young Hispanics in particular often show P1 loyalty to CHR or Urban stations. And any station could be a favorite of a bilingual Hispanic individual. However, the converse—an English-only speaking individual—is not likely to spend a great deal of time with a Spanish-language station.

So, with some Hispanics turning to mainstream stations, but with almost no other people replacing them in the Hispanic radio audience, attaining a share on par with percentage of population is practically impossible.

The chart below shows tendencies for the format. It is based on Arbitron Fall 2000 survey results, and is weighted by market size to allow comparisons across markets. The Hispanic formats are sixth among 15 format groups, following News-Talk, AC, CHR, Country and Urban. Hispanic has more listeners than Classic Rock, Oldies, Rock, Alternative, Standards, Religion, Smooth Jazz, Classical and Children/Variety.

On the dial

| Category | rank | AM | FM | rated | unrated | pct | index |
|---------------|------|-----|-----|-------|---------|-----|-------|
| Benchmark 12+ | 6 | 306 | 174 | 294 | 186 | 6.6 | 100 |
| AM dial | 3 | 306 | 0 | 145 | 161 | 8.4 | 127 |
| FM dial | 8 | 0 | 174 | 149 | 25 | 6.1 | 92 |

By market size

| Category | rank | AM | FM | rated | unrated | pct | index |
|---------------|------|-----|-----|-------|---------|------|-------|
| Mkts 1-50 | 4 | 232 | 124 | 205 | 151 | 10.7 | 162 |
| Mkts 51-100 | 10 | 65 | 44 | 79 | 30 | 4.7 | 71 |
| Mkts 101-150 | 12 | 21 | 20 | 26 | 15 | 2.1 | 32 |
| Mkts 151-200 | 10 | 27 | 19 | 28 | 18 | 2.6 | 39 |
| Mkts 201-250 | 12 | 10 | 7 | 11 | 6 | 1.8 | 27 |
| Mkts 251-smlr | 12 | 1 | 2 | 2 | 1 | 0.4 | 6 |

By region

| Category | rank | AM | FM | rated | unrated | pct | index |
|--------------|------|-----|----|-------|---------|------|-------|
| Northeast | 5 | 33 | 5 | 18 | 20 | 7.9 | 120 |
| Mid-Atlantic | 14 | 19 | 3 | 5 | 17 | 0.5 | 8 |
| South | 10 | 52 | 8 | 40 | 20 | 4.3 | 65 |
| Midwest | 13 | 21 | 4 | 8 | 17 | 1.8 | 27 |
| SW-Rockies | 5 | 102 | 75 | 116 | 61 | 10.1 | 153 |
| Pacific | 2 | 79 | 79 | 107 | 51 | 15.0 | 227 |

By demographic

| Category | rank | AM | FM | rated | unrated | pct | index |
|----------|------|-----|-----|-------|---------|-----|-------|
| P18-34 | 6 | 356 | 216 | 273 | 299 | 8.2 | 124 |
| P25-54 | 7 | 356 | 216 | 287 | 285 | 7.1 | 108 |
| P35-64 | 7 | 356 | 216 | 286 | 286 | 6.3 | 95 |
| M18-34 | 7 | 356 | 216 | 249 | 323 | 8.9 | 135 |
| M25-54 | 7 | 356 | 216 | 276 | 296 | 7.3 | 111 |
| M35-64 | 7 | 356 | 216 | 260 | 312 | 6.3 | 95 |
| W18-34 | 5 | 356 | 216 | 254 | 318 | 7.6 | 115 |
| W25-54 | 6 | 356 | 216 | 275 | 297 | 6.8 | 103 |
| W35-64 | 7 | 356 | 216 | 265 | 307 | 6.2 | 94 |

Source: Arbitron, RBR Source Guide Database

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Growing Hispanic companies suffer falling stock prices

Public companies in Spanish radio weren't spared the turmoil that characterized the stock market in the past two years.

Entravision (N:EVC) was one of the last companies to go public in early 2000 before the market turned sour on media stocks. In fact, of the five public companies in the sector, only Hispanic Broadcasting Corp. (N:HSP) is trading today above its IPO price—largely because its IPO (as Hefel Broadcasting) was in 1993.

But while their stock performance has been disappointing, most of the Spanish radio specialists have been growing revenues and positioning themselves to take ever larger shares of the growing ad market for companies trying to sell their wares to the fast-growing US Hispanic population.—JM

Latest earnings reports:

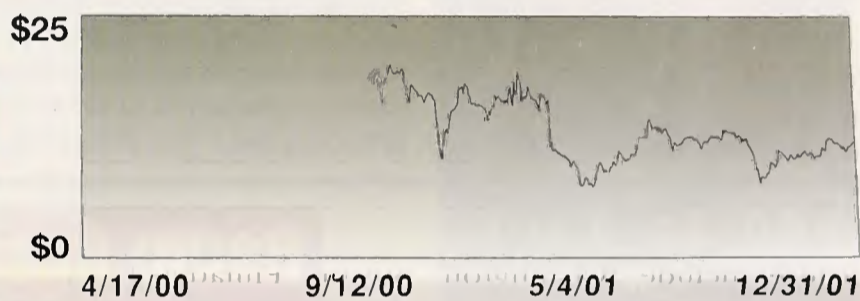
Big City Radio (A:YFM)

First three quarters of 2001 (radio/Internet)
Net revenues: down 12.4% to \$16.1M
Broadcast cash flow: improved by 26% to -\$1.8M



Entravision Communications (N:EVC)

First three quarters of 2001 (radio/TV/publishing/Internet)
Net revenues: up 58% to \$155.3M
Broadcast cash flow: up 28% to \$48.5M



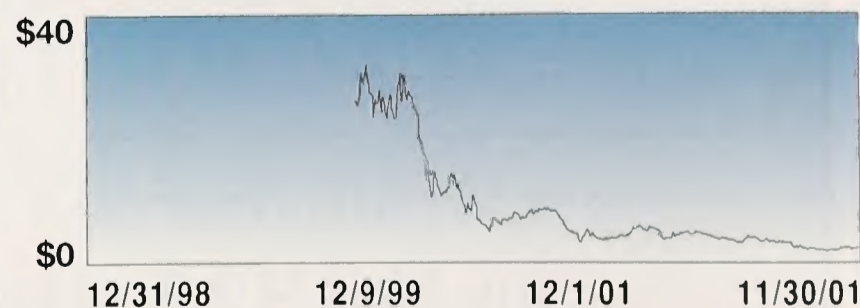
Hispanic Broadcasting Corp. (N:HSP)

First three quarters of 2001 (radio/Internet)
Net revenues: up 1.9% to \$179.5M
Broadcast cash flow: down 13.5% to \$66.5M



Radio Unica (O:UNCA)

First three quarters of 2001 (radio/promotions/Internet)
Net revenues: up 19% to \$27M
Broadcast cash flow: worsened by 5.4% to -\$4.4M



Spanish Broadcasting System (O:SBSA)

Fiscal year ended 9/30/01 (radio/Internet)
Net revenues: up 9% to \$134.3M
Broadcast cash flow: down 23% to \$50M



Alliance taking radio group private

One of the smallest public radio groups is going private. Alliance Broadcasting Group (O:RADO) has announced a deal to merge its public company with Emission Controls Corp. and spin the radio group off into a privately-held company. When all that takes place, current shareholders will undergo a 300-to-one reverse split. In theory, that should boost the trading price from the current one cent per share to around \$3.

Indianapolis-based Alliance owns only three stations: WQSA-AM Sarasota, FL; WCTG-AM Columbia, SC and WOKX-AM High Point, NC.

RBR observation: Essentially, Alliance CEO **Joe Newman** is selling the public shell to a new company which he hopes offers future upside to shareholders. Terms of the deal to take the radio assets private have not yet been disclosed.

Brill defaults; considering asset sales

Brill Media missed a payment of \$6.3M on its senior notes that was due last month (12/17/01) and as of last Monday (1/14) fell out of compliance on earnings coverage covenants for its senior bank loan. As it made those revelations in an SEC filing, Brill Media said CEO **Alan Brill**, who is the company's sole shareholder, is continuing to explore possible remedies. "These remedies include the sale of strategic assets and financing options that would allow related parties to repay amounts owed to the company," Brill Media said in its SEC filing.

The company's latest financial statements show that it is owed about \$13M by related companies which are owned by Alan Brill and managed by Brill Media, but are not a part of the company which has publicly traded bonds. Brill Media has \$105M (face value) in outstanding bonds and owes \$15M to its senior lender.

For its fiscal Q3 which ended 11/30/01, Brill Media saw revenues decline 8% to \$10.9M and cash flow dropped 44% to \$1M. Including depreciation and amortization, operating income plunged 94% to \$51K.

Radio revenues fell 10% for the September-November quarter to \$4.2M. That resulted in an operating loss of \$79K, compared to an operating profit for radio of \$370K a year earlier. Radio cash flow dropped 54% to \$380K.

Newspaper revenues for Q3 dropped 7% to \$6.8M and the print division's operating income dropped 75% to \$130K. Newspaper cash flow fell 36% to \$626K.

RBR observation: Things have gotten worse, not better, since we reported extensively on Brill's financial problems last August (*RBR* 8/6/01, p. 15). At that time the Moody's bond rating service had lowered the company's debt ratings and warned that Brill might miss its December bond payment, as indeed occurred. Although the trustee for the bondholders has sent Brill Media an official notice that it could be declared in default, the trustee hasn't actually pulled the trigger. The bondholders and bankers have so far been giving Alan Brill a bit of leeway to clear things up. While Brill spoke freely to *RBR* after the Moody's downgrade, he didn't return our calls last week.

Brill's corporate structure was already quite complex—particularly for an operation with a single shareholder—but it became even more complicated the last week of December when a new entity, Broadcasting Inc., was added at the top of the ownership chain for the Brill Media stations. Alan Brill is still the 100% owner, but that new corporation would give him a mechanism to add an equity investor. Otherwise, his only other option appears to be selling some assets—and sooner, not later.

Brill Media's holdings

Radio

- Lancaster-York, PA: WIOV-AM & FM, plus LMA with option to buy WSOX-FM
- Evansville-Owensboro, IN: WOMI-AM, WBKR-FM & WKDQ-FM, plus LMAs of WJVS-AM & WSTO-FM (see below)
- Fort Collins-Greeley, CO: KTRR-FM, KUAD-FM and an FM CP on 94.3 MHz
- Duluth, MN: WEBC-AM, KKCJ-FM, KLDJ-FM & KUSZ-FM

Newspapers/shoppers

(all weekly unless indicated)

- Mt. Pleasant, MI: *Morning Sun* (daily), *Isabella County Herald*, *Mt. Pleasant Buyers Guide*, *Northern Michigan Real Estate Guide* (monthly), *Central Real Estate Guide* (monthly)
- Clare, MI: *Clare County Buyers Guide*
- Alma, MI: *Alma Reminder*
- Cadillac, MI: *Cadillac Buyers Guide*
- Carson City, MI: *Carson City Reminder*
- Edmore, MI: *Edmore Advertiser*
- Hemlock, MI: *Hemlock Shoppers Guide*
- Gladwin, MI: *Gladwin Buyers Guide*
- Midland, MI: *Midland Buyers Guide*
- St. Johns, MI: *St. Johns Reminder*
- Tawas City, MI: *The Northeastern Shopper* (two editions)
- Gaylord, MI: *Northern Star* (two editions)
- Alpena, MI: *Alpena Star*, *Presque Isle Star*
- Petoskey, MI: *Petoskey Star Ad-Vertiser*, *Charlevoix County Star*
- Kalkaska, MI: *Star Ad-Vertiser*
- West Branch, MI: *Star Buyers Guide* (two editions)
- Prudenville, MI: *Roscommon County Star*
- Cheboygan, MI: *Straits Area Star*
- Traverse City, MI: *Preview Community Weekly*
- Honor, MI: *AdVisor Community Weekly*

Other stations owned by Alan Brill

- Evansville-Owensboro, IN: WSTO-FM (see LMA above)
- Albin, WY: KKAU-FM

Source: Brill Media FCC and SEC filings

The Radio Index™

A brief New Year's rally gave way to a slide. For the week, The Radio Index™ dropped 11.074 to close 1/16 at 215.084.



AAA makes it a dozen

Peter Ottmar's AAA Entertainment is paying \$1.7M to bring its station count in Illinois to 12—all FMs in not-quite-interlocking superduopolies spread across the Peoria, Bloomington and Champaign-Urbana markets. AAA is already LMAing WBZM-FM Fairbury, IL, having taken over the LMA from **Bud Walters'** Cromwell Group. The station is currently owned by **Jerald Scott's** Rainbow Radio of Livingston County.

Quite a few checks will be cut at closing. Scott will get \$500K, Media Services Group will get an \$85K brokerage fee and Pekin Savings Bank will get the balance due on Rainbow's \$788K loan. Also, the FCC will be reimbursed for the bidding credit that Rainbow received when it won the construction permit in a 1999 auction. That "unjust enrichment penalty," due because the license is being sold less than five years after the auction, is yet to be assessed by the Commission. Whatever remains of the \$1.7M total, which looks to be around \$400K, will go to Walters' Cromwell Group as payment for its option to purchase WBZM.

Broker: **George Reed & Bob Maccini**, Media Services Group

RBR observation: WBZM, a Class B1 on 107.7 MHz, has contour overlaps only with AAA's WMOS-FM & WRPW-FM. Even after a proposed modification to move the transmitter closer to Bloomington, it will add only WIHN-FM, making this a four-FM superduopoly.

Back in the early days of consolidation, it looked like Bloomington Broadcasting (later sold to Citadel Communications) had locked up nearly 100% of the radio signals and ad revenues in the Bloomington market. Instead, Peter Ottmar saw an opportunity to buy up what little else remained and engineer some move-ins to reinvigorate radio competition in the market. Citadel still has the market's biggest stations, but Bloomington is definitely not a one-radio-group town.

Harris gets boost from government buys

Harris Corp. (N:HRS) reported a 7% boost in sales by its Broadcast Communications division for its fiscal Q2, which ended 12/28/01, but noted that many US broadcasters have delayed purchases due to soft ad revenues. Harris' strongest sector for the quarter was Government Communications, where "orders outpaced sales" and operating income shot up 19% on only a 5% increase in sales. Overall, Harris reported that net income increased \$400K to \$16.4M—but would have been \$19.7M excluding severance costs in its Microwave Communications division.

Despite reporting a not-too-bad quarter, CEO **Philip Farmer** is cautious about the rest of this year. "In looking ahead, we, like others, are concerned that improvements in the economy are not yet visible, particularly in international markets, but we still expect to achieve sequential sales and earnings increases in the second half of this fiscal year," Farmer said in his quarterly announcement.

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Wegner posts improved sales

Wegner Corp. (O:WGNN), which makes equipment for radio and other communications industries, reports that sales rose 20% in its fiscal Q1 (September-November 2001) to \$6M. Net earnings were \$132K, compared to a loss of \$584K a year earlier.

An obviously pleased **Robert Placek**, Chairman and CEO, said in announcing the positive results, "We believe this year will be a year of revenue growth and improved operating results for our company."

RBR observation: As you might expect, Wegner's improved results didn't come from its broadcasting equipment business. Rather, its big sales gains were in private networks and business television—the latter a growing sector due to businesses seeking to use teleconferencing to reduce airline travel. Even employees who aren't nervous about flying are often frustrated by the long delays at airports that have followed 9/11.

Hicks, Muse turning yellow

Hicks, Must, Tate & Furst and its bidding partner, London-based Apex Partners, have submitted the highest bid for McLeodUSA's (O:MCLD) US yellow pages directory business, according to TheDeal.com. The bid is said to be \$550-600M.

McLeod has missed interest payments on three bond issues this month, even after a December 2001 recapitalization by Forstmann Little, and has been entertaining bids for the directory business. Forstmann Little has a bid on the table to buy the directory business for \$535M, but TheDeal.com says that offer won't be raised to match Hicks, Muse.

As you might expect, McLeod is also facing a plethora of shareholder lawsuits. Its shares traded above \$30 early last year, but are now around 20 cents.

RBR observation: Tom Hicks knows a cash cow when he sees one. Collecting annual rate increases on Yellow Pages ad renewals is a way-easier business than selling radio spots—not that he hasn't made a lot of money from the latter.

At deadline, however, it appeared he'd have to wait a while. Bondholders turned thumbs-down on an out-of-court reorganization plan for McLeod, so it appears Hicks, Muse will have to resubmit its bid to a bankruptcy court.

The recovery is just over the horizon

A private sector Federal Reserve watchdog, the Financial Markets Center, is generally on the same page as the Fed's governors in the center's latest analysis of the Fed's January "Beige Book," which reports on economic trends in the various Federal Reserve Districts. Manufacturing is still hurting, retailing is mixed, car sales remain strong and housing is still surprisingly robust—although there are localized instances of declining demand and a softening of home sale prices. "The labor market prospects described in this report are exceptionally grim, with little mention of hiring—save for hospital and security personnel—in any District," analyst **Dean Baker** wrote.

Where Baker takes issue with the Fed's analysts is on where the economy is going—and how fast. "Despite the generally bleak portrait in this Beige Book, survey respondents express widespread optimism that the economy will recover in the second half of the year. While this possibility cannot be ruled out, most economists and many business owners have consistently projected a rebound two quarters in the future ever since the economy began to turn down in the final months of 2000. It is not obvious that the current projections are grounded on a firmer basis than their predecessors," he said.

TV duop rises out of the NC Ashes

Media General Broadcasting (MGB) is getting a television duopoly in the Greenville-Spartanburg-Asheville-Anderson DMA, which straddles the border of North and South Carolina. MGB, which owns WSPA-TV Greenville SC, a CBS affiliate on channel 7, is proposing to buy WASV-TV Asheville NC, which plays UPN fare from its perch on channel 62, from Pappas Telecasting of the Carolinas.

Television duopolies are illegal unless there are at least eight independently owned and operated full-power commercial and noncommercial TV stations remaining in the market after the double-TV combination takes effect. This condition will not be in existence in this market.

However, a waiver has been granted to allow the combination on "failing station" grounds. The historical difficulty exhibited by the station in terms of ratings and revenues have convinced the FCC that the probable alternative to granting the merger with WSPA-TV would likely be the failure and shutting down of the station. The regulatory agency concludes that the duopoly is therefore in the public interest.

Add to this the complete lack of opposition to the deal and it becomes a slam dunk for Media General.—DS

Mapleton 'PIGs out

The acquisition of a Monterey-Salinas superduopoly cluster by Mapleton Communications has closed. KPIG-FM, KBTU-FM, KHIP-FM, KMBY-FM and KCDU-FM have all become O&Os of the new California-based group formed by **Michael Menerey**, **Dale Hendry** and others. The deal also includes a JSA with KBOQ-FM. The seller, New Wave Broadcasting, will bank \$10.25M. Mapleton still isn't done in this market. It also has a \$1.5M deal to acquire KTEE-FM from Bicoastal Media. (RBR 12/17/01, p.6). **Brokers:** Frank Higny, Kalil & Co. Inc. (seller), **Elliot Evers**, Media Venture Partners (buyer) (Evers also represented Mapleton in the KTEE deal)—DS

TRANSACTION DIGEST[®]

By Dave Seyler & Jack Messmer

The deals listed below were taken from recent FCC filings.

RBR's Transaction Digest reports on all deals that involve assignment of a station license (FCC Form 314) and substantial transfers of control of a licensee via a stock sale (FCC Form 315), but not internal corporate restructurings (FCC Form 316). All deals are listed in descending order of sales price. Broker credits are based on contracts filed with the FCC.

\$3,400,000 KNRB-FM, KPYN-AM & KALT-AM Texarkana (Atlanta TX) and **KNHD-AM** Camden AR from Dominion Media Corp. to Family Worship Center Church Inc. \$300K earnest money, \$1.1M note, \$2M donation to buyer by seller. Existing **duopoly** in Texarkana AR-TX market. LMA since 11/15/01. **Broker:** MGMT Services Inc. (seller).

\$1,700,000 WISE-AM Asheville NC from United Broadcasting Enterprises (J. Ardell Sink) to Asheville Radio Partners LLC (Andrew J. Guest, Edward F. Seeger, James C. Fort). \$85K escrow, balance in cash at closing. Note: Seller retains WTZQ-AM. Buyer will lease space in seller's building. **Brokers:** Patrick Communications (seller), American Media Services LLC (buyer).

\$675,001 WSIG-FM & WSVG-AM Harrisonburg VA (Mount Jackson) from Shenandoah County Broadcasting Corp. (Richard Judy) to Shenandoah Valley Television LLC (Thomas Manley, Peter W. Lechman). \$10K escrow, \$40K cash at closing, \$625K note, \$1 non-compete. Construction of pending CP for WSIG-FM may result in 60 dbu overlap between it and buyer's WBOP-FM Churchville VA.

\$650,000 KDJI-AM & KZUA-FM Holbrook AZ from Navajo Broadcasting Co. Inc. (Roy Roberts) to Petracom of Show Low LLC (Henry A. Ash, Roy Roberts, Richard Watkins). \$30K escrow, \$420K cash at closing, \$50K short-term note, \$150K long-term note. **Superduopoly** with KVWM-AM, KVSL-AM, KSNX-FM & KRFM-FM, all in Show Low AZ. LMA since 12/31/01. Note: A CP held for KZUA-FM will not be constructed and will be returned to the FCC. **Broker:** Explorer Communications Inc. (seller).

\$465,000 WEGZ-FM Washburn WI. 100% of the stock of DDS Communications Ltd. from Howard L. Moe to VCY/America Inc. (Randall Melchert, Tom Benson, Victor Eliason, Buren McClain, Walter Lecocq). \$50K escrow, balance in cash at closing. Also includes unspecified amount of stock donated by seller to buyer. Buyer is non-profit entity.

\$330,000 WJFL-FM Tennille GA from Fall Line Media (Katherine H. Cummings) to Small Town Radio Inc. (Donald Boyd, pres et al). \$10K escrow, \$220K cash at closing, \$100K note.

\$255,000 WFVR-AM Valdosta GA. 100% of the stock of Cameron Broadcasting Inc. from Ron Cameron to Rama Communications Inc. (Kris Persaud). Assumption of \$255K promissory note and related, unspecified radio station operation costs and obligations.

\$217,657.88 WVLY-AM Wheeling WV (Moundsville) from Valley Radio LLC (Richard Mansuetto) to Scott Radio Group LLC (Thomas S. Anthony, David L. Anthony, Joan A. Proeti, Jay P. Anthony). \$24K down payment, \$136K cash at closing, \$57,657.88 debt assumption. LMA since 11/30/01.

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Santa Clara, California

for

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to

McHenry Tichenor, Jr., President, of
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Equipment forecast—Part 1

In this Engineered for Profit series, *RBR* asks VPs of Engineering and cluster CEs what's on tap for new equipment purchases, upgrades, buildouts and more for 2002. Our first installment features ABC Radio VP Engineering **Bert Goldman**, VP, Engineering and Broadcasting Technology, ABC Radio Networks **Christine Ianuzzi** and ABC Radio Networks Senior Director of Engineering **Greg Monti**.

Goldman tells *RBR* he's had to defer a number of projects to start later on in the year. "Whatever happens to Disney happens to us. Business was off primarily in what is our first quarter, which is everyone else's fourth quarter. Our fiscal year started in October, so we're already well into our year. Basically what we're going to do is start it in the summer and end it in the next fiscal year in October. We had already submitted a lean budget to Disney back in August, so there really wasn't that much left to cut. They asked us to defer. Most of it is just maintaining stuff that we've got. A couple of transmitters, a couple of studio rebuilds."

In Detroit, ABC Radio is looking to do some transmitter replacement projects at WDVD-FM and WDRQ-FM. The local FM engineer, **Hal Buttermore**, will decide who gets the RFP there, says Goldman. "As far as who will get the RFPs, I leave that up to the local engineers mostly. We're looking at everybody."

Network redundancy

One of the projects that was kind of a late comer on the list: ABC Radio Networks is going to be adding redundancy to its uplink facility/network operations center in New York so it can continue programming services out of Dallas should there be an event that would prohibit the use of NYC. Says Goldman: "Mostly multiplexing equipment, routing equipment, encoders and such so that we can create the channels for the satellite and get it to the provider. It will be housed in Dallas. It's probably going to approach \$500K. The RFP is to StarGuide audio, other than the router. It's being handled by our network person, Christine Ianuzzi."

"125 West End Ave. in New York is our main hub where we distribute all of the audio. If anything were to happen to this building where we could not operate from here, whether a power failure, flood, environmental reasons or terrorism, the plan is to have something—another site or location where we would be able to vacate this building, make a cell phone call with a special phone called the Planet Phone and instantly make the switch," Ianuzzi tells *RBR*. "We have a lot of procedures that we put in place so that we can seamlessly stay on the air and distribute the audio to our stations and affiliates, and our satellite services clients."



Christine Ianuzzi

ABCNRN is currently in the midst of finalizing the written backup procedure document that will dictate how the system will work in the event of such an emergency. "We're in the process of buying the secondary system for Dallas, and that will be located at our HQ there. We effectively have two HQ's—the NY distribution center, and Dallas, which serves the 24-hour formats, the **Doug Banks** and **Tom Joyner** morning shows. In NY, we have News, Talk, and commercial services. Dallas would be able to support and distribute all of the programming," says Ianuzzi.

The project will likely be done by April. StarGuide, as Goldman said, is the main vendor on the project. "We actually have a good partnering relationship with StarGuide. They've been very good to us. We already have a temporary satellite backup system in Dallas, it's not the backup system we're working on now. It's kind of been put together with whatever spare parts we could find, but in the end, we're in the process of purchasing headend and transmission gear for over there. When that's done, we'll be permanently bullet-proofed as far as the backup," Ianuzzi says.

As for the other vendors on the project, says Monti, "There's a big enough routing switcher in Dallas that will probably handle us there already—it's an SAS. That could be expanded if we have to use Dallas for a long term. For ISDN codecs, we're a big fan of Telos because they can do more than one data rate easily and then feed two as well as other formats. It's got certain features we like to have—syndicators call in with all kinds of codecs, we want to be able to be compatible with them."

"Certainly, we've learned a lot since 9/11. I felt like it was a big punch in the face. It jolted me so much that we made it our business to make sure that this was really taken care of on a very detailed level. I will feel a lot better once we get our system in place," recalls Ianuzzi. "We have a team that we created for the backup site. We also have backup procedures that address things like evacuation plans, communications trees—who do you communicate with, phone numbers, how do you do it? You'd be surprised by what companies were caught short on just exactly what to do on 9/11."

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Greg Monti

Chicago and San Francisco are in line for some studio rebuild money. "We're talking about a little bit of work in Chicago, finishing up a studio equipment project in SF, which is pretty much done, at KGO-AM. It was a three-year, three-phase project that was pretty much entirely PR&E/Harris. I'm pretty sure they just used analog consoles. For Chicago, it's kind of an infrastructure project, so all of our stations there will be impacted, except for the ESPN [WMVP-AM]—they just finished moving late last year. We're replacing a routing switcher for WLS-AM and WZZN-FM. It's a pretty major project. **Warren Schultz** is the CE on that. He's still contemplating on who he wants to go with. It will probably be an SAS [Sierra Automated Systems]."

In Atlanta new transmitters—backup and main—are in store for WKHX-FM. "I'll leave that up to the local engineer as well, with my guidance. If he goes and buys an Argentinean transmitter I might have something to say about it," Goldman says.

Another possible project includes relocating the WPIJ-FM NY antenna as part of the Empire State Building relocation plan for lost World Trade Center antenna site occupants (*RBR* 10/15/01, p.5). "That's a biggie," explains Goldman. "We gave the TV station our aperture because we're good corporate partners with them. We have a somewhat temporary location that's working fine, but Empire State has said that they may want to put us somewhere else. Right now, we're on the antenna just above where our other antenna was on Empire State."

Purchasing philosophy

Goldman says ABC Radio's philosophy is to only make company-wide buys if it makes sense. "If I've only got a couple of markets doing transmitters, it doesn't normally make a lot of sense to do a company-wide RFP. If I had five markets or so doing something about the same time with the same type of transmitter, Yes, then I might try to work something out on that basis."

One example where it makes sense is with Radio Disney O&Os. As far as common equipment and platforms throughout, they're basically carbon-copies. "That would have pertinence to us with the Radio Disney facilities where we do have substantial consistency between all of the Radio Disneys," Goldman said. "In fact, it's pretty much a plug & play template that we've built for the O&Os. Those are very little capital investments. We've put Audio Vaults in each of the stations and we operate them across a wide-area network. We do centralized production, centralized traffic and there's very little at the local stations. There's one studio which costs very little and pretty much everything is centralized outside of that."



Bert Goldman

But at the large market stations, equipment purchases are mostly done at the station level, Goldman says. "They're all very large and they're all very successful at what they do, they all have very different needs. And so I've kind of moved away. In other companies that I've worked for, Nationwide and Shamrock, we tried to have consistency, like audio harddrive platforms. But we're finding that because of the differences and the different needs at each of our facilities that there's very little sharing that goes on between them. There's very little need for standardization of platforms, so we've given them the latitude of choosing whichever system fits their specific needs, and that's worked out quite well for them."

Having trouble getting engineers?

Unlike many broadcast companies, ABC Radio hasn't had much of a problem finding and retaining qualified engineers. Perhaps it's the ABC name, perhaps it's the way they treat their people. "We haven't really had that much difficulty bringing good people in. I believe ABC in general takes pretty good care of its engineers. We've had very low turnover, I mean very, very low. The biggest issues we have to face are getting reliable and good contract engineers for these [standalone Radio Disney] stations. When you have a market like Charlotte, NC, it's hard to find a contract engineer who can give you a lot of time. And then you've got a major project that comes up there and it crimps your ability to get things done," says Goldman.

But especially at the large cluster stations—NY, LA, Chicago—ABC hasn't experienced a problem finding people. "I think that in comparison to some of the other companies, and I don't know how to put it nicely, some of them tend to spread some of the engineers out too thin. We at ABC don't do that and we haven't really slashed like some of the other companies as far as technical maintenance. And so, consequently, we've been able to not only keep our facilities in pretty good repair, we've also been able to keep engineers who might have otherwise left because of just plain burnout," Goldman explains. "I've talked to a number of engineers, a lot of whom I know, who have either left their jobs or left the business entirely because of just plain old fashioned burnout. I think what's going to end up happening is some of these companies are going to wind up creating a situation where it will be very difficult for us in the future to find qualified engineers and if we do find them we're going to have to pay a fortune."

Finding great salespeople.

Excerpt from article by Ken Lee, published in Radio Business Report, p.12, 4/23/01

Doyle Rose, President, Emmis Radio told RBR: "There are people that know how to work with retailers, direct business, and how to bring big accounts and big numbers to the station. Those are the kind that you'd like to replicate. We are not satisfied having just one or two of those superstars on our staff. We are trying to accumulate and have four, five, or six of those kinds of people. We may have to pay them more and put more money into training. We may have to sign contracts with them. We have to treat them like high school athletes that are being recruited for college. We need to put together a package that meets their needs, so it is a big initiative in the company. We have a lot of people right now who fit that mold."

RBR observation: 1/11/02—As consolidation steadily shrinks the talent pool, finding and keeping top performers will become a greater challenge.—DS

Smart marketers pick up hitchhikers.

Excerpt from article by Tripp Eldredge, President & Rob Klemm, Vice President/Marketing Strategy, DMR, published in Radio Business Report, p.14, 4/23/01

Including a client or prospect in the direct mail component of your campaign enables you to include their logo or coupon on the mailer. However, this is always more difficult than it seems. Here are some points to keep in mind: Keep the number of advertisers to a minimum. Remember that it is your marketing piece and you don't want it to turn into a ValPack mailer. Second, include only those accounts that are the best fit for the campaign. Finally, make sure to manage the look of the mailer—it is most important that the key message of the station(s) stands out and is remembered.

RBR observation: 1/14/02—It seems to us that some clients, added to the direct mailer, can actually enhance the image at the radio station - like a restaurant or club popular with the station's target audience. This is not, however, the appropriate time to link up with the local septic tank cleaning service, no matter how loyal a client it may be.—DS

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

Excerpt from article by Karla Roberson published in Radio Business Report, p.6, 4/16/01

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

"We have a great deal of credibility on the street and we sell credibility. You know, the radio is truly a medium where you say to people, "Trust us...believe what we say." So it's important that the community starts by believing what you say when you're not running a commercial. We sell credibility"

RBR observation: 1/15/02—Well put—and it goes for more than just the sales staff. Wouldn't you hate to be on the street selling a canned format? Most people can tell the difference between something out of a can and the real thing. Ownership must be very careful when using programming shortcuts - the decision to save on overhead just might kill your income.—DS

An essential thing you must do to sell

Excerpt from article by Paul Weyland, President, Paul Weyland Training Seminars, published in Radio Business Report, p.11, 4/9/01

Explain the importance of a unique selling proposition for every client. Clients must be able to associate themselves with one unique thing that their competitors cannot claim. Something that sets your client apart from his competitors. It must stand out and it cannot be cliché.

RBR observation: 1/16/02—As the economy continues to sputter, differentiation is more important than ever. Clients that may have had enough dollars for two or three media outlets now have enough for one - or none! Radio is not only competing with other media for that one ad buy, but its neighbor down the dial as well.—CM

An essential thing you must do to sell, Part 2

Excerpt from article by Paul Weyland, President, Paul Weyland Training Seminars, published in Radio Business Report, p.11, 4/9/01

Explain how to calculate return on investment. Ask your client what his average sale is. Determine how many average sales it would take for your client to pay for the advertising schedule you are recommending. Do the math and show the client what a small percentage of your total 12+ CUME audience he'd have to reach in order to break even. The number is usually ridiculously small. By teaching the client to calculate return on investment, you better manage his expectations. And you determine how much the client should actually be spending instead of just pulling a number out of thin air.

RBR observation: 1/17/02—The real trick is figuring out which of the sales made by the client was a result of the ads run on your station - most customers don't walk into a place and announce that they are purchasing an order of chicken wings because they just heard about it on the radio. If the campaign is working, the client should also see a noticeable uptick in business.—DS

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