

Radio Business Reporttm

Voice of the Radio Broadcasting Industry®

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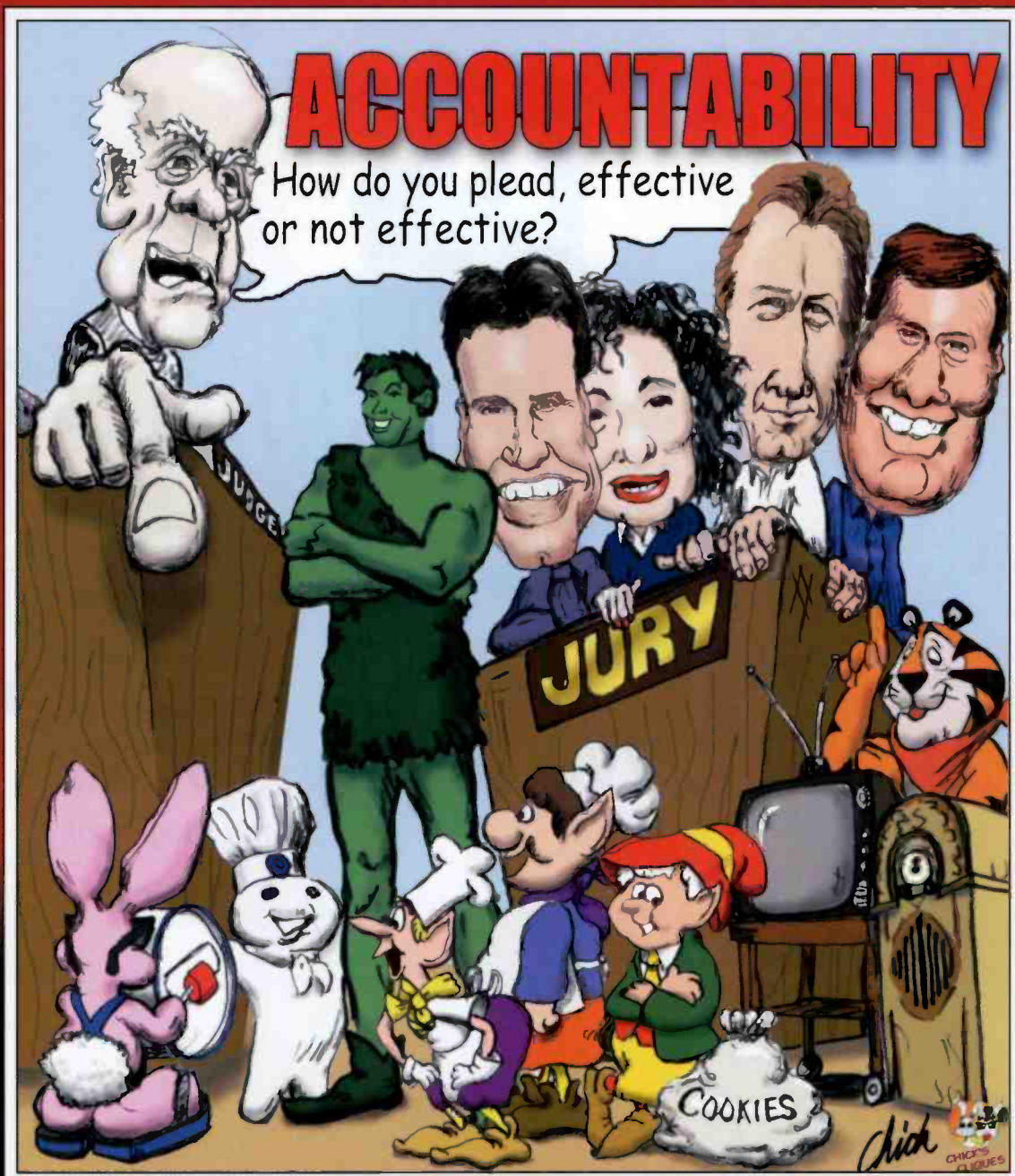
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Volume 21, Issue 2

Publisher & Editor.....Jim Carnegie
Executive EditorJack Messmer
Managing EditorDave Seyler
Senior EditorCarl Marcucci
ProductionMichael Whalen
VP AdministrationCathy Carnegie
FCC Research ConsultantMona Wargo
Administrative AssistantApril McLynn
VP/GM, Associate PublisherKen Lee
Account ExecutiveJune Barnes

Editorial/Advertising Offices

6208-B Old Franconia Road
Alexandria, VA 22310
PO Box 782 Springfield, VA 22150

Main Phone:703/719-9500
Editorial Fax:703/719-7910
Sales Fax:703/719-9509
Subscription Phone:703/719-7721
Subscription Fax:703/719-7725

Email Addresses

Publisher:.....JCarnegie@rbr.com
Editorial:.....RadioNews@rbr.com
Sales:KenLee@rbr.com

Bradenton, FL Office

Jack Messmer

Phone:941/792-1631
Fax:253/541-0070
Email:JMessmer@rbr.com

Columbia, SC Sales Office

June Barnes

Phone:803/731-5951
Fax:803/731-5982
Email:JBarnes@rbr.com

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Cover Art Credit:



Chick Alcorn
9630 Mistletoe Rd.
Tujunga, CA 91042
818-951-5908
chickalcom@aol.com

RADIO NEWS®

This past month's Radio News was sure to help jump start everyone's year. We have compiled the editor's top choices. A quick read version is found in this print issue. If you download the electronic version of this issue from our partner Zinio, you'll be able to read bonus editorial.

39% cap becomes a matter of law

The Senate followed action completed in the House in December before the Congressional holiday recess, and passed a \$375B omnibus spending bill which is primarily designed to fund various federal agencies.

A controversial broadcasting measure was part of the bill. The White House had threatened a veto of any bill which rolled back the FCC-approved national broadcast television reach cap of 45%. It had been 35% since Telecom 1996, and both the House and the Senate approved a return to the 35% level in an appropriations rider.

The rider eventually moved into the omnibus bill, and Republicans in the Senate worked out an almost entirely Democrat-free compromise with the White House for a 39% cap.

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NAB Radio Board backs AM IBOC experiments

By unanimous vote, the National Association of Broadcasters has decided to push for a kick-off of AM digital IBOC broadcasting. They have essentially said that the improved broadcast quality offered by IBOC would be worth a possible trade-off in the form of lost nighttime analog coverage.

"The dramatically improved audio quality from IBOC service at night is well worth the predicted and limited reductions in analog coverage," wrote the Board. "The FCC should therefore authorize nighttime AM IBOC service on an interim basis; and in the event that there are reductions in stations nighttime analog service areas beyond those

predicted by the studies, the FCC should take steps to address those problems."

RBR observation: Hmmm. What would happen if four or five thousand newly-strengthened stations suddenly start competing for advertising dollars? The advertising revenue pool doesn't figure to suddenly expand to accommodate such a huge influx of stations.

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Congress on indecency warpath

A bipartisan group of lawmakers is out to give FCC Chairman Michael Powell what he's asked for (1/15/04 RBR Daily Epaper #9)—the power to level much heavier fines for broadcast indecency. 26 members of Congress have introduced a bill which would let the FCC hand out fines of up to \$3M for indecent broadcasts.

"This legislation will significantly strengthen the FCC's hand in punishing those who peddle indecent and obscene material over our airwaves," said the bill's primary author, Rep. Fred Upton (R-MI), Chairman of the House telecommunications subcommittee. The current fines, which max out at \$27,500, "are not much of a deterrent," he insisted.

The proposed law would raise the maximum fine for a single violation to \$275,000. However, repeat offenders could be fined as much as \$3M.

The latest congressional move follows consternation over the FCC staff deciding that NBC was not guilty of an indecency violation for the airing of the "f-word" during a live awards show. Powell last week called for other commissioners to join him in re-examining that decision (1/14/04 RBR Daily Epaper #8).

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Powell wants big fines for dirty words

A day after asking other commissioners to join him in overruling the FCC staff and fining NBC



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stations for airing the F-word in a live awards show (1/14 *RBR Daily Epaper* #8), Chairman Michael Powell was on the anti-indecency war-path yesterday. Now he wants Congress to increase the maximum fines for indecent or obscene broadcasts ten-fold.

"Some of these fines are peanuts. They're just a cost of doing business. That has to change," Powell said in a speech to the National Press Club. Thus, the Chairman is asking Congress to increase the maximum fine from the current \$27,500 per incident to \$275,000. That happens to be exactly what was proposed in the FCC reauthorization bill which is still awaiting action on Capitol Hill (6/26/03 *RBR Daily Epaper* #125). Powell had endorsed the move then, so his comments yesterday were apparently an attempt to push Congress to act.

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Worst fears realized: XM announces local services

XM Satellite Radio announced that starting in March, via its earlier deal with TrafficPulse and The Weather Channel, "XM Instant Traffic & Weather" will launch with up-to-date road and weather conditions for 15 major metro areas. Six more cities will be added later in 2004.

Initial markets for the local traffic/weather channels include Boston, Chicago, Phoenix, New York, St. Louis, Dallas, Philadelphia, Minneapolis, Houston, Baltimore, Seattle, Atlanta, Washington, San Francisco, Tampa, Pittsburgh, Los Angeles, Orlando, Detroit, San Diego and Miami.

Although the new local services will be distributed via satellite, rather than just locally using XM's terrestrial repeaters, the NAB immediately blasted the announcement as violating the spirit of XM's national license.

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Goldman Sachs cuts Viacom estimates

As companies prepare to report to Wall Street on their final numbers for 2003, Goldman Sachs analyst Richard Rosenstein has lowered his Q4 numbers for one of the largest media companies, Viacom. However, he's still bullish on the company for 2004.

Rosenstein said his previous estimates had been just above the mid-point of management's guidance, but now he's moved to just below that mid-point. Specifically, he's now looking for Q4 EBITDA to decline 1.7% to \$1.48B and for earnings per share to decline two cents to \$0.34. For the full year, that drops 2003 earnings per share to \$1.37. Of course, Rosenstein's move is based on the weak ad environment in Q4 and says the new estimates are in line with those for other radio and TV broadcasters. He now expects Viacom's radio and TV operations to both post Q4 revenues down 2% from a year ago, rather than flat with Q4 of 2002. *Zinio Bonus copy available*

By Ken Lee
kenlee@rbr.com



RBR debuts a new column this month that asks probing questions to the brand side of the equation, just as we have now for several years of the advertising agency side. Our first conversation is with **John Drury** Senior Vice President of Marketing for AutoNation and Keynote speaker at the RAB2004 in Dallas. AutoNation is the nation's largest car dealer with 375 new vehicle franchises in 17 states. Their "media mix" exceeds \$260 million annually.

What type of criteria do you use to determine the media mix that AutoNation uses?

"Our media is placed on a market by market basis. There are a lot of factors that go into what type of media mix we are going to use. For example in South Florida it would be the geographical distribution of our stores, the brand mix of the stores - a Mercedes will impact differently than a Nissan, the demographics of the marketplace and also is it a single newspaper market and two newspaper market."

What is the typical mix?

The greatest percentage of the mix goes to print. That is primarily because the customer has been trained over time by the newspapers if you are looking into a new vehicle go to your automotive classified section there are all your new vehicle ads. People naturally go to the newspaper when they are interested in buying a vehicle just to go find the information. The next percentage goes to broadcast. And depending on the marketplace that is a mix between radio and television and television may also include some cable. Then after that would be direct mail. And then ecommerce - those are the leads the stores buy independent of what we get on our sites.

The difference on how much radio and TV is determined how?

"The size of the market, the cost of the media, the available budget we have to work with, objective of the stores in that marketplace - stores in LA have different issues than those in Memphis."

So how do you promote the AutoNation name?

The way we work our branding is we have names in each of our markets. In South Florida all 30 stores are called Rooney, in Vegas they are all named Desert, Southern Texas they are all called Champion. The manufacturers will not allow us to have one single name across the country. So we developed a strategy to give us a local market names to allow us to dominate the local marketplace we wanted.

You came from the agency side of the business - what do you like about the change to working on the client side?

The one thing I wanted to do that I didn't get a chance to do on the agency side was to really have impact from the advertising through all the elements of it right down to the store. So when I got to the company I was able to have an impact on the advertising piece, on the merchandising promotional sale materials, on the database. So it was much more vertical exposure to the business that most agencies don't get. Most agencies get a horizontal exposure—you are going to be involved with a piece of it not all of it. You really look at how everything links and the contribution that that piece has to the busi-

ness, because if you don't link this cooperation to what you are doing then you are missing a big part of the opportunity. So being able to work with the operations team to make sure that what we promise the customer is being delivered operationally is very important. I remember in my agency life I would be working with companies that would want to put out expectations that they couldn't meet to the consumer - they couldn't deliver. The frustration is that they would then blame the advertising that people weren't buying things. They weren't executing or they were disappointing customers.

Do you track the different components?

Our ecommerce tracking is phenomenal. They set up an amazing system. We have a very disciplined approach of understanding. And for the other parts we put in a product called Z-Track which allows us to look at the advertising from the markets and measure that. Essentially the phone number that we use - we buy multiple numbers then track the response on the advertising. And in store we have a method to measure traffic.

Will the Internet play a bigger role in what you do in the future?

As far as we are concerned there is no debate. It is a very important sales channel for us - we have just three sales channels: Internet, phone and store traffic. Each one of those channels we look at as a sales channel and each one is very important. I think on the Internet many people thought the Internet would replace the dealership - go online and buy a vehicle. We never had any expectations that that would happen. We always knew the Internet was going to be an important communication tool for us with the customer.

Are you marketing using radio and television websites?

Yes. If our media team negotiates a package with a radio station a way for us to tie in our site as a part of that promotional package we'll leverage that relationship. It helps drive business to our sites.

What can sales people and sales managers do differently or better when they communicate with you?

I think there are going to be a couple of things. One is first understand to get the organization to communicate with. We've got a multi-level organization - if I was an outsider it would be confusing exactly where I go. Do I talk with the general manager? Or talk to the agency? Or talk to corporate? Or talk to this district thing they got set up? Where do I go? So the first thing would be understand who to communicate with at an organization to hit the right audience for what I have to talk about.

The second thing is we always like the people we are doing business with to understand the value of their product in our organization. I know that you may have seen those that have come in and think that they are the solution to everything. They are number one in everything. Don't tell me you are the number one station for Hispanics when you are not.

The third thing is really good listening skills. Understand who we and what we are trying to accomplish and how you fit for us or how you don't. The ones that I respect are the ones who come back and say we do and here's where or based on what you are doing right now we don't but here's where we do. Would you consider us?

And we are always trying to look for things to differentiate ourselves. How to take our business to the next level? How can you do that with us? We are the number one automotive retailer in the world - I want to figure out how to beat our competition.

We ask GMs—Is rate cutting a problem in your market?



Ed Levine,
Galaxy Communications/Syracuse

We just received the December Miller-Kaplans, and the market was down 18% locally—which I have never seen before. In that kind of environment, for anybody to state that rate-cutting is not going on, that deals are not being made, is being disingenuous at best. Having said that, though, what Clear Channel has become well-known for—at least in this market—is they are maintaining their

rate on their one or two highly-rated, inventory-reduced properties. But instead of packaging in a daypart, like in the old days you would throw in nights, they're now throwing in entire radio stations. And in some cases, multiple radio stations, and then reporting them with a dollar amount next to them internally so it looks like there's some dollars going there. But to the buyer, they're basically a throw-in at zero or close to zero cost.

That's been standard operating procedure for a long time, and that's why I'm always amused when I read statements from the hierarchy at Clear Channel. I'm sure they mean it when they say that is not the company mantra. I would challenge them to get out into the field a little bit and see what's actually going on, because that's not what's going on in the real world.

Having said that, the best way to make all of this stuff go away is for the great economic indicators that we're seeing to actually manifest themselves in the form of advertising spending. Unfortunately, December Q4 in the Syracuse market was the worst of the four quarters of 2003. And the January pacing right now is not strong in the market. So we're hoping that once the snow melts, the economic recovery will actually make its way to Syracuse.

My only defense for Clear Channel, in particular, is that for

anybody, when you have markets that are down 10% for a quarter locally, for anybody to claim that deals are not being made-by all parties—I don't know what world they're living in, but it's certainly not the real world.

Mike Moyers, STARadio Corp./Quincy, IL

Of course. The rate cutting, in most cases, comes from the local network TV affiliates who have dropped their rates to the local radio level and below. And that, for all the obvious reasons, becomes a major issue when dealing local direct or with the "toy agencies" that seem to be the latest fad. You see, the average client/toy agency doesn't really understand reach and frequency—they understand being "on TV". "Because television, even cable, is better than being on radio, right?" That, unfortunately is the mentality we're dealing with in the small market like ours (#303). What we've done to combat that issue is work harder at becoming part of the client's sales team instead of ad peddler number 34. Corny as it may sound, increasing floor traffic, acting as an interested third party and showing some measurable results—instead of rolling out the "latest package" works. It just takes some time. Creating a "good client" (one who will spend it, one who "gets it" and then will pay net 30) is well worth the effort.

Creating a "good client" is like losing weight—you can't cheat and you have to work at it everyday.

Scott Miller, CC Radio/Wheeling, WV

In our market, rate cutting is not a problem. One of the reasons is because Clear Channel, the stations that we own, we try to obviously have a lot of rate integrity. And I think the competition, as they continue to cut rates, we're delivering the product and charging a fair price for it. We feel like our sales team does a great job and can show our customers why we deserve the rates that we're getting.

There's a few smaller competitors for us here but for the most part, they continue to cut rates and try and drive the market down. But we try not to let that affect us and hold on to the rates and obviously charge a price for the products we feel is necessary. We've got seven stations in our cluster and it's a game we refuse to play. And that goes for the TV stations too. We've seen some



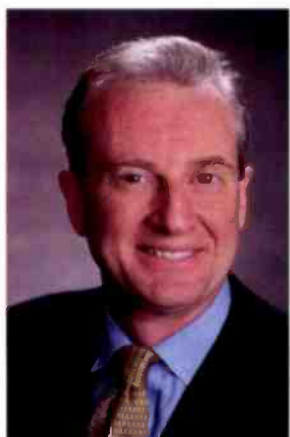
cut rate deals in this market in the second half of '03, but we're not going to get in that game.

Valarie Howard, Bonneville's KDFC-FM San Francisco

Sometimes. It kind of depends upon how aggressive the economy is. There are times where it feels like competitors are cutting rates, and there are other times where it feels like they are holding.

Ed Brantley, Citadel/Knoxville

No. I think the top three in the Knoxville market have kept rate integrity for the past three or four years. And it's evident that this market's rate stands pretty well. We're proud of that. It's not like there's something going on, because I don't have contact with these other guys—I've never met one of them. But just over the past five years or so, there hasn't been a lot of change in the top three or four stations. So because of that, I think the rates have held pretty strong.



**Chet Tart,
Palm Beach Broadcasting's WRMF-
FM West Palm Beach (and SM Eliza-
beth Hamma).**

I would say stations meeting Cost Per Point is absolutely a problem. In other words, we just had a piece of business that was a ridiculously low CPP. We're not getting it, and they're placing it in the marketplace on equally strong stations. Sometimes it's the clusters, and both Infinity and Clear Channel are utilizing their clusters. They're absolutely selling at a CPP that this market should not be sold at. According to the Miller-Kaplans, our market locally for the month of December 2003 was up 20%. Our marketplace last year was up 6%. So you would think the pacing has continued at a rate of...there's no reason to assume we're pacing behind 5%, and yet again, both locally and nationally CPP seem to be met. We obviously have to sell way above a CPP. This is a healthy marketplace, and so to reach a CPP of \$46 or something ridiculous in a market like this—granted it's Q1—but this is also South Florida in Q1. This is our opportunity to shine. If you compare us to markets like Raleigh and Austin and mar-

kets like that, they have a higher CPP. That's because the clusters have kept it higher. I think the two clusters on either side of it are sagging us here. I feel they are totally responsible for what this market is doing. They own the bulk of the radio stations and there is basically no one else here. So if the marketplace is going down in CPP, these two guys are totally responsible. They've got WKGR-FM on the Clear Channel side and they've got WEAT-FM and WIRK-FM on the Infinity side. So they can package it up however they want to make it look to grab the business.

Dan Brown, Citadel/Chattanooga

I would say so. I think since probably December and January there have been indications that we're facing lower CPPs, and as a result I think we're finding packages of all kinds on the street.

Some of this actually started on the national scene in November. And so, you either have to react or not react to the lower CPPs. I mean if you're sold out for those dayparts that radio station is doing well, you don't play. If you need to put the revenue on a specific daypart or station, you play, and you need the CPP.

It's just a really difficult situation right now. It's probably as bad as I've seen it, at least in Chattanooga, in probably 10 years: As far as CPPs, as far as packaging rates, so on and so forth, in the marketplace.

Locally, with local direct accounts, it's not a problem. We're still doing tons of business there, and as a matter of fact, that business is growing. But it's with regional agencies and national that I'm really talking about. Now I think there's some packaging going on locally, but that really hasn't affected us this time. But it's the national stuff right now...it's almost as though things are starting to get better, but some people just haven't awakened yet.

I know nationally, at least in Chattanooga, it seems that in Q1 the market, the pacing is down. And primarily because budgets have been cut. And some of that, of course, is due to CPPs being lowered, so you're just going to get a smaller portion of it. But it's mainly because of budget cuts in traditional national dollars that we would have gotten here. I think it depends on the market. I think right now here we're pretty flat. I think the market overall in Chattanooga was down for the year. Fortunately, we were up, but mostly on the strength of our local business, and the way we develop local business-direct business primarily.

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Accountability: Part 1 of 2 Is radio making strides?

At the AAAA in Orlando, the buzzword "Accountability" (or lack of it) will be bandied about in at least a few panel sessions. *RBR* has covered the issue in radio—and television through *TVBR*—for years now through the voices of buyers, sellers and vendors alike.

The claim that media needs to be more accountable can be blamed a bit on the sales model itself. It's flawed to a degree—sellers (AEs) are often motivated to get the buy at any cost, often without realizing what they're selling may not be ultimately doable at the station level. The pressure to hit budgets has added to a lack of accountability perceived in the marketplace. Let's face it—accountability to the media plan and for the delivery of the schedule can make or break a campaign. Short term sales gains can lead to long-term losses, especially for the radio medium, which is playing catch-up to TV and cable in that department.

Another problem is communication. To help solve the different realities and terminologies floating around between buyers, sellers and traffic directors, The Radio Buying Guidelines Task Force, a joint effort of the AAAA and the RAB, issued their "Universal Guide of Buying and Selling Terms," defining the terminology used in the buying and selling of radio (10/1/03 *RBR* Daily Epaper #192).

The goal is to eliminate confusion and reduce errors. The AAAA, the RAB and Traffic Directors Guild of America are asking all parties to use the same terms, and that those terms have the same meaning and expectations for everyone in the radio buying and selling process.

Agencies right now are being put under scrutiny for their own accountability. Effective communication is essential. Addressing the issue last year, **Maribeth Papuga**, SVP/Dir. Local Broadcast, Mediavest, said it's extremely important: "We have to use these terms, because right now what the agencies are facing are critical and important times. They have clients that are coming into the agency doors right now with auditors. And this is very scary. They're looking at the process to the end result, to the procedures. And they're looking for those guarantees. They are being scrutinized for what they have purchased to see if the ads have run at the station level and to make sure everything has been done properly."

One radio buyer off the record went as far as to say radio is "playing a game" right now with accountability, in her opinion: "I think radio isn't working as fast as it can to get its accountability house in order. If they were to all of a sudden provide all the implements of accountability, you would actually see how they're screwing you. And so they're damned if they do and damned if they don't. So it's kind of like they're just playing this game. They have it both ways right now—they have it very easy. But they're



John Hogan

going to be in big trouble if they can't start to be held accountable to what they're selling."

At least one group seems to realize this fact. It has become so important an issue in chasing the ad dollar, in fact, that Clear Channel Radio CEO **John Hogan** sent an email out to spot buyers underscoring his company's commitment to the cause.

We cite from that letter: "After conversations with many of you, it

is clear that radio has an opportunity with advertisers and agencies to increase its importance, viability, and credibility. I heard clearly from you that radio has to do a better job of communicating and of being accountable to our advertisers and agencies...running what is ordered, as ordered and fulfilling our commitments to you will make radio a bigger part of your advertising plans.

I have made it a key goal for all of Clear Channel senior managers to make increased accountability to our advertisers a priority going forward. We are committed to selling only what we know can run and running what is ordered...Additionally, we have developed or are developing systems to help in this effort. Our Tradewinds inventory management system is now operational in all Clear Channel markets. Our Clear Channel MediaStar traffic system will be operational in all markets by Q3. We will be using electronic order entry in hundreds of stations by June. We are currently beta testing an electronic invoicing system that is expected to be operational by year's end. As you can see, we are committed to improving our credibility and accountability with advertisers."

Timely clearance verification seems to be a major complaint. On the network radio side, for example, RADAR comes out four times a year. For television, buyers can get national Nielsen numbers for network within 24 hours and cable 36 hours. For radio, stewardship (verification) is a struggle. Said one buyer off the record: "With radio, as a buyer or an agency, you have to turn yourself inside out. The numbers are not available on a regular basis and the networks don't take a sense of responsibility to do it themselves. I think the current system is something that could be improved with frequency and the networks need to do better stewardship."

In our October, 2003 issue, *RBR* looked at clearance monitoring services like Verance, AudioAudit and Mediaguide as potential solutions in addressing the verification issue. Verance struck a deal with Premiere Radio Networks (8/26/03 *RBR* Daily Epaper #167) for near real-time spot clearance reporting. As Verance CEO **Steven Saslow**

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had mentioned, **Natalie Swed Stone**, Director of National Radio, OMD assisted in the arrangement with Premiere. ASCAP's Mediaguide can monitor both music and ads. The key differentiator between Mediaguide and Verance is the technology-Mediaguide's system uses snippets of the actual ads for recognition; Verance uses inaudible (to the human ear) "watermarking" IDs. The bottom line: both deliver clearance information much faster than what's out there today. Also coming on the scene is RCS's AirCheck system (similar to MediaGuide). It's now being repped by Jones MediaAmerica.



Stu Olds

What are the sellers doing?

We recently covered a lot of what the national radio networks are doing to improve accountability (RBR October 2003).

Next month, we cover what the sellers are doing on the local/spot radio side, including EDI, featuring **Stu Olds**, Katz Media CEO and Interep CEO **Ralph Guild**. For now, we take a survey from local and national buyers around the nation on the current state of accountability. Has radio made strides? We

ask: **Reyn Leutz**, SVP, Director of Radio Negotiations, Mindshare USA; **Rich Russo**, JL Media's SVP/Director of Broadcast Services; Natalie Swed Stone, Director of National Radio, OMD; **Matt Feinberg**, SVP/National Radio, Zenith Media Services; **Dana Detlefson**, Director, National Radio, CARAT USA and **Jim Gaither**, Director of Broadcast, The Richards Group. As well, next month, the buyers discuss what radio should do to get more dollars out of advertisers and their opinions on in the emerging real-time spot verification businesses Verance, AudioAudit, MediaGuide and AirCheck.

Have you seen radio's accountability improve over the years?

Leutz: It has definitely improved by networks placing more of their commercial inventory into RADAR—because RADAR technology is the only audience measurement system in place today that measures actual commercial clearances.

Russo: Yes, somewhat.

Swed Stone: There has been more talk about accountability than real accountability up to now. We are about to break through and make real strides in that area in the next few years.

Feinberg: As I see it from a technical perspective, station accountability has remained about the same. However, I do believe stations try to make the agencies feel confident that schedules have run correctly, but it is still basically affidavit/ invoices that are the proof of performance. Since deregulation, stations are no longer required to keep broadcast logs, so there is no longer a final legal word on what actually happened. I know **Marc Guild** at Interep is spearheading an electronic invoicing system. I believe will help the industry harness the tremendous amount of processing that can occur in national spot, thereby giving agencies the ability to get a better accounting of their radio buys

In the network area, there have been major strides with the vendors trying to better police their affiliates. Years ago Premiere initiated a system of offering incentives to af-



Matt Feinberg

filiate that return affidavits correctly. While comparatively somewhat crude, relative to some current monitoring models, they were definitely trying to address a problem they recognized as a hindrance. Clearly the nets try to monitor their constituency of stations, but it is a massive undertaking. They try to collate and deliver the information to clients in user friendly form that helps the agency identify errors.

At Zenith we still practice the ancient ritual of asking for copies of affidavits every so often just to spot check what stations are doing, though this is a labor-intensive project for both the nets, and us, with all but one vendor cooperating with us. Currently with electronic invoicing becoming de requir this is becoming more difficult. Clearly, if electronic broadcast real-time monitoring is perfected that will be the fountain of youth this industry has been searching for.

Detlefson: No, I have not, and potentially, I see the new measurement systems seem to be less accountable.

Gaither: No. Accountability in radio has remained static over the last several years.

What are three ways radio could improve accountability?

Leutz: I think that networks—particularly syndicators—need to do a better job of policing their affiliates. When they sign agreements with stations for commercial time to air over broad daypart rotations say 6a-12 midnight, it is highly unlikely that advertisers are ever going to get a fair rotation. So I would say there needs to be tighter daypart restrictions with affiliates.



Reyn Leutz

Secondly, sports rating estimates as pointed out by [Director of National Broadcast, The Richards Group] **Ira Berger** (RBR December 2003, MediaMix) are outrageously inflated, downright unethical. At MindShare, we avoid live sports for this very reason and if we buy any, we discount the ratings significantly. I just cannot in good conscience go to our advertisers and say live sports is the way to go for a male demo without significantly adjusting the numbers. Even if there were an announced visit by Jesus

Christ to St. Patrick's Cathedral, I doubt very much that his "ratings" would get close to most networks estimates for their live sports.

Finally, I think that our partner-suppliers need to help us in providing better posting information. I am not so much concerned with RADAR-rated properties as I am with syndicators.

Russo: I still think that there can be improvement and hopefully at some point the stations and the agencies can agree on which instantaneous electronic invoicing program to be implemented. Once that happens the accountability will really be improved and possibly perfected.



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Adults 18-34, U.S. Rating* 2.4

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Adults 18-49, U.S. Rating* 2.3

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Natalie Swed Stone

Swed Stone:

- 1) Don't overpromise or overrepresent to gain cash upfront—tell the truth.
- 2) Follow through on the sale—make sure the internal systems are good enough so that what was sold and bought actually gets scheduled.
- 3) If there is a problem with #2 tell the client then and there, not later when it's too late to remedy so that the order can be revised and all parties know what to expect/budget for.

- 4) Learn from any errors and continually strive to improve the system.
- 5) Obviously let the client know after it has successfully run—by this time, the invoice should perfectly match what was ordered/ revised and there should be no discrepancies or surprises at time of payment/invoice.
- 6) Invoice clearly so that any discrepancies can be deciphered easily and time saved—or move to electronic invoicing.

Feinberg:

1. The perfection of third party electronic monitoring systems would be great.
2. Reinstatement of the pre-deregulation mandatory station log to be kept and disclosed to the public upon request.
3. A mandatory class in business ethics should be required of all sales organizations (truly there are only a very few who are in need of this, but better to make it a standard just to cover all bases).



Dana Dellefson

Dellefson:

1. Overnight posting
2. Uniform systems for sending plans to eliminate data transfer errors
3. Shorter turnaround times for posting so we can check accountability and compliance.

Gaither:

1. ELECTRONIC INVOICING!
2. Listen to what agencies and clients really

want from their radio campaigns.

3. Deliver what they say they are going to deliver.
4. Provide follow-up that demonstrates what was delivered/agreed upon.

What about stewardship from the sellers? Are you satisfied with the information you receive post-buy and its timeliness?

Leutz: I am less concerned about posting from RADAR-rated networks, because affidavits are tied to actual clearance information. I will say however that RADAR needs to also make some changes. If we buy one commercial from 6-10a, the RADAR post will show me exactly where each commercial aired by market, but then RADAR rolls up all this audience data and provides one post number—even if some of the audience came from 7p-12 midnight. In fact, potentially 25% of the posted audience came from 7p-12m. RADAR needs to start showing us where the audience information is coming from by daypart—even if we didn't specifically buy that daypart.

The posting information received from syndicators is viewed

by MindShare with much circumspection. None of the posting information is tied to clearance data so you never really know where your particular advertiser's spot aired. Timeliness is certainly an issue—particularly with syndicators.

Non-RADAR-based ARBITRON posts supplied by vendors are misleading. Certainly the Nationwide data is updated and the affiliate lists for a property are updated, but on your particular buy, for your advertiser's particular flight, you have no way of knowing how your commercials cleared.



Rich Russo

Russo: No, it can be quicker and the service can be upgraded as well. I guess I am satisfied until they put the better systems in place and I think they are working towards that.

Swed Stone: Generally. We have been satisfied with our collective post-analyses because while some suppliers do underdeliver, others overdeliver—and are rewarded the next time. This has been part of the whole accountability issue—post-analysis was seen as an “extra” service—outside their general duties, rather than SOP. Sellers do not reward salespeople for good service and stewardship—they reward them for making calls and generating “new business”—the minute new business hits the books, it becomes “old business” and it's on to the next hustle.

Feinberg: For the most part we are satisfied with the timeliness of what they supply. The problem is that network post buy information is only the surface layer info. When you look deeper, there is a lot to be discovered which is rarely disclosed to the advertisers. For local radio, affidavits are as close as you can get and that's the final word. Again, if you take the info face value, it's fine. However, there is usually more to it. If you have the time to investigate there is a lot that can be found out which can help in future decision making.

Dellefson: With few exceptions, sellers are really good about letting us know if any changes in line-ups are happening in the marketplace. However, timeliness of posts is clearly a sore subject in our industry. We are never satisfied with the extremely lengthy turnaround time. It puts us at a disadvantage when evaluating properties for future buys. There is no uniformity of affidavits and translation of each is a timely process.



Jim Gaither

Gaither: What stewardship? We are not receiving any stewardship reporting from any broadcaster with the exception of national cable TV networks. As a manager, I'm satisfied that my negotiators understand how to accurately estimate schedules and that they will deliver in the end. Although few are pleased with Nielsen or Arbitron, they are our measurement tools in this industry and my staff has a very good understanding of how trends in viewership/listenership are changing and how they affect our clients' buys.

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Accountability 2004 The History of Radio Ratings

You can't change the radio ratings game if you don't know the history.

Will the young CEO's and others today ever learn about radio ratings?

Stop, write your age down and subtract 29. What was your age in 1975? Me, I was 26 years old. It is all about history and learning before you think you can change the radio ratings game. Why, because I was there, a part of it, and saw the possibilities. Learn from history and apply from those that have done and still are doing.

Like a commercial for an old established product you see on the front of the box: NEW and IMPROVED. Cumulus out to cut ratings costs - Eastlan is conducting audience ratings surveys in two top 100 markets for a head-to-head comparison with Arbitron at the behest of Cumulus Media. But Cumulus CEO **Lew Dickey** tells RBR that using Eastlan is not the only option the company is exploring to cut the bill it pays Arbitron. **RBR observation:** The proof is in the ratings pudding. 01/08/04 RBR #8 Daily Epaper

And then there were three: New entrant into the ratings wars - Bridge Ratings has joined Arbitron and Eastlan in the ranks of radio ratings providers. The brand new company, founded by **Dave Van Dyke**, is open for business, targeting markets ranked #50 and smaller. It's already operating in one of them. 01/06/04 RBR #2

In 1975, **Jim Seiler**, at that time head of Media Statistics, Inc., a Silver Spring, MD-based audience research firm, saw an opening for a monthly ratings service in major markets. His idea was not to try to replace Arbitron but rather to supplement it. At that time, there were no "Arbitrends" - sample sizes were too small for that and most markets were surveyed by Arbitron only once or twice a year. He figured that a service that "predicted" the Arbitron might find enough support to make a profit.

In 1949, the year I was born, Seiler knew all about Arbitron. After all, he'd founded it in '49 in the basement of his Washington, DC home, to measure fledgling TV audiences. In fact, all the time he ran the then American Research Bureau (ARB), it was a TV-only service. A disastrous plunge into "instantaneous" TV ratings (ironically called "Arbitron") forced Seiler and his partners to sell ARB, ultimately to Control Data Corporation, which was looking for firms that logically would use its computers. After their 3-year non-compete ran out in 1964, Seiler and his partner, **John Landreth**, started Media Statistics (Mediastat) as a multi-media research service. One of their early products was a diary-based survey of radio listener, TV viewer and newspaper and magazine readership behavior. That product, like Arbitron was too far ahead of its time to be profitable.

So Mediastat devoted itself to measuring radio audiences and quickly became a leader in the field. Its competitors were: Nielsen (yes, the now-TV-ratings giant Nielsen), which used meters attached to radios, augmented by personal diaries; Hooper, which called people randomly and asked whether their radio was on at that moment, and if so, to what station (telephone coincidental technique); and The Pulse, which used in-home, personal interviews.

Each of the services had at least one major flaw. Nielsen's was that radio had become a personal medium, so the meter attached to the "family" radio was out of date. Hooper's was that it only measured listening at a given point in time (the time of the phone call), so it couldn't really reflect radio usage on a day-in/day-out basis. And The Pulse had a difficult time getting its interviewers into peoples' homes, so as time went by, their ratings looked less and less reliable.

Mediastat used a personal diary, up to six within a household. It was nothing startlingly new, but was a very sound methodology for the time. So successful that when Arbitron decided to enter the radio ratings field in 1968, they simply purchased Mediastat's radio measurement product line. All of sudden, Seiler and Landreth had some resources at hand, another non-compete (although less restrictive than their previous agreement with ARB) and a need to find new fields of endeavor.

They settled on measuring radio audiences in small, non-rated markets—places such as Presque Isle, Maine and Paducah, KY. They couldn't use a diary methodology, so they determined their best bet was a "24-hour telephone recall" system. Simply put, interviewers would call randomly selected households each week-day evening, ask for (in turn) a male or female 12 or older, and then ask the respondent about his or her listening between 6 am and 7 pm that day and 7 pm and Midnight the previous day. Again, for the time, it was a very good methodology - much less expensive than the diary-based system, but providing reliable audience estimates.

Then Seiler proposed his monthly service, called "Mediatrend". The sample base would be 500 respondents in most markets (1,000 in New York, LA, Chicago and later, Miami), with surveying taking place over a two-week period each month. Each month, subscribers would receive a roughly 20-page book providing basic daypart and demographic audience information. And, the books were released within a week of the end of the survey. That was a major selling point, as Arbitron regularly took four to eight weeks after the end of its April-May and October-November sweeps to issue its reports. And as a gimmick, just before the release of the ARB's in Mediatrend markets, Seiler would issue his predictions of what the ARB shares would be. For instance, for



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Top 40 and Rock stations, he would reduce their Mediatrend shares by 30%, as Mediatrend had better representation among persons 12-34, which yielded better shares for such stations than in the ARB. In more than seven of 10 cases, the predictions were within a half-share of the eventual Arbitron shares.

The other selling point for a monthly service such as Mediatrend was that it helped identify the "wobbles" or statistical fluctuations inherent in any sample-based research - those numbers that fall outside the range of the standard deviation. This is common, even now with today's larger sample sizes: a station is cruising along, then in one book, the bottom falls out of its numbers, followed by an unbelievable resurgence in the next book. Or a station gets a gift of two, three or four shares for no real reason, followed by a trip to the toilet in the next book. Those are offsetting wobbles. But if you have two services, the chances of both services having fluctuations in the same book in the same direction for the same stations is extremely remote.

By 1978, there were Mediatrend reports for more than 30 markets. It was so successful that WQAM Miami program director **Tom Birch** started doing his own surveys using the same methodology. Those home-brew reports eventually led to the Birch Reports, later Birch-Scarborough, which briefly attempted to supplant Arbitron in the 1980s.

Money talks and you know what walks

Of course, Birch was not the only wannabe Arbitron beater. Burke Marketing Research of Cincinnati tried its own survey in 1977. In fact, they offered to buy Mediastat, but were turned down. Jim Seiler asked Burke's president how much money Burke had to devote to their new service. The Burke man told Jim \$7.5 Million. Seiler told him that wasn't nearly enough - that it would cost at least \$15 Million just to reach parity with Arbitron and another \$15 Million to beat them. Sure enough, Burke retreated from the field not with a bang, but with a whimper.

The RAB, under then-President **Miles David**, supported another effort called TRAC-7, which was to be produced by Audits and Surveys, Inc, the then-producer of the radio network RADAR reports. TRAC-7, like the Burke effort, never got past some pilot studies. The reason: not enough support from radio stations.

"Those who do not learn from history are doomed to repeat it" applies here. Eastlan, the successor to the well-regarded Willhite ratings, is currently producing some pilot reports for Cumulus in addition to its well-received small-market ratings. Cumulus is looking to find a service to augment Arbitron, which it feels (from all reports) is too expensive. At last Fall's NAB Radio Show, Clear Channel's Radio CEO **John Hogan** reportedly felt the same way and opined that perhaps it's time for the radio industry to do its own ratings. Well, guys, if you're determined to bring Arbitron to its knees, here's some advice, based on the past efforts:

It's impossible to supplant the leader without a good plan and deep pockets.

TRAC-7, Burke, Birch and the rest all had good ideas and lofty plans. But they didn't have staying power - that is, enough money.

Any such effort must gain agency acceptance

And that's where the other attempts broke down. They couldn't develop acceptance by the agencies. Yes, Arbitron gets some of its acceptance by practically giving away its data to agencies. But that's not all of it. Some firms actually gave the data to agencies for free. And, Mediastat hired former agency execs to make the company's case to the agencies, but with only moderate success. At best, Mediastat ratings were used as tie-breakers. That's not enough to ensure the future of a ratings concern. Agency media planners and buyers trust Arbitron because it's been around for years, and no one has given the planners/buyers any really compelling reason to throw over Arbitron.

Radio cannot force ratings on the agencies

It doesn't matter if no station in the market buys the Arbitron. If the Arbitron is produced for that market, agencies will accept it over any other audience data. Ask market veterans from the Quad Cities and Charleston, SC if their temporary rejection of Arbitron (and support of Birch in the Quad Cities' case) back in the 1980's did them any good. After a year, the stations in both markets rejoined the legion of Arbitron subscribers.

Industry-sponsored ratings services lack the credibility of independence

Radio's first audience measurement in the 30's was the Crossley survey - which was created and sponsored by the radio industry. So long as it was the only source of audience data, it survived. But as soon as Nielsen came along and provided an independent voice, the Crossleys lost their clout.

Granted, the structure of radio has changed dramatically. Back when these other services attempted to fight Arbitron, there were many owners in each market, and if you gathered 10 local broadcasters in a room, you'd get 10 opinions. Now there are only two or three groups that count in any significant market. So if all of them agree on a service, there's half a chance that service might stay in business for a while.

RBR Observation: It all boils down to the question of money. Back in 1977, Jim Seiler projected that it would cost \$30 million to break Arbitron. What's \$30 million in 2004 dollars — \$100 million? \$150 million? Does Cumulus or Clear Channel or Infinity (or all of them combined, and wouldn't that be a treat to see) have that kind of money to devote to the effort? But even more, DO THEY HAVE THE PATIENCE? In this Wall Street-driven world of "I don't care how good you were last quarter, what have you done for me this quarter" mentality, how many companies could stomach the static they'd receive from the "sages" of Wall Street on investments of that size in something that could end up being a black hole? Frankly, I don't think any of them could or would.

They don't have the guts or the far-sightedness necessary. In their defense, neither did their predecessors 25 years ago, and most of them weren't forced to do dog and pony acts for the analysts every quarter as Mark and Mel

and Lew and David are.

I know first hand because I was there at Mediatrend. At that time I was a PD learning radio ratings research and learning to sell. I had a hard time being a salesman so I just talked our PD language and Mediatrend sold itself. Broadcasters, the ball's in your court. The possibility of blackening Arbitron's eye is there.

But just remember, it's withstood any number of attempts before, and it survives and thrives.

Now, what was your age in 1975, the year of Mediastat and radio ratings history?

Radio Ratings 2004 The Methodologies

You can't change the radio ratings game if you don't know the history.

Survey methodology - which is best?

We have seen where the ratings game started and why now we are currently in the accountability stage for the future of the radio business and methodology for your market. Over the years, there have been many survey methodologies and techniques used to collect radio listening information. Today, though, there are only two that are used widely, with a third system currently undergoing tests.

The two most-common methods are the personal mail-in diary and the personal phone recall interview. The new one, of course, is the "portable people meter" or "ppm." The primary proponent of the diary (and the ppm) is Arbitron. Eastlan is the latest firm to rely on the recall interview.

But what are the relative strengths and weaknesses of each system? That's what this article will attempt to offer. It's written by a 20-year-plus veteran of radio audience measurement, albeit with neither of the current "players."

Personal seven-day diary - This has been Arbitron's technique since it started measuring radio in 1968, and Nielsen used it back in the 40's. Arbitron's implementation is pretty sophisticated. They have samples of both listed and unlisted residential phone numbers. They call those residences and request of the person who answers the phone, the cooperation of all members of the household 12 years and older. They send out up to nine diaries per household and include incentives in the form of small cash payments. In some households, there are follow-up premiums paid to further encourage cooperation. Listening from diaries returned that meet Arbitron's criteria for usability is tallied and audience estimates are issued. Listening estimates are weighted (based on return) to achieve demographic, geographic, and in some markets, ethnic balances. Sample targets (the numbers of usable diaries Arbitron deems as suitable for reliable audience estimates) ranges from about 300 to well over 6,000 in metro areas, depending largely on population size.

Pros: Gets multiple days of listening - better establishes listening patterns. Theoretically covers 672 potential quarter-hours of listening from each respondent, which can lead to less "bounce" in the resulting numbers. Agencies accept the methodology and Arbitron's numbers more readily than any other technique.

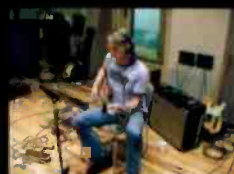
Cons: Arbitron is having to work ever harder to keep response rates at acceptable levels (some observers say they haven't succeeded); premiums keep becoming larger; fancier presentation of the diaries is required; more contact between Arbitron and respondents necessary to get usable diaries returned - all this costs money. If response drops too low, the reliability of the ratings becomes suspect. Based on observations from reviews of diary returns by zip code, those returning diaries in the greatest numbers don't appear to represent a clear socio-economic cross section of the popu-

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lation. And sometimes, poor response from certain demographic or ethnic sub-sets causes their audience estimates to be very unstable.

Telephone recall interview - This is Eastlan's technique, the same as used by predecessor Willhight Ratings. Also used (with simpler sampling techniques) in the 70's and 80's by Media Statistics and the original Birch Report. Eastlan has adopted sophisticated methods of drawing its samples to ensure good balance. They use a recall survey, in which the respondent is asked about his/her listening over the last 24 hours. After all listening from that period has been recorded, the respondent is then asked if he/she has heard any other radio stations over the past seven days, in order to develop a weekly cume. Eastlan's sample sizes range from 500 to 1,500 depending on market population, per their website.

Pros: Better cooperation possible, due to short commitment to the project by each respondent (about 10 minutes for the interview). Eastlan interviews only one person per household, which potentially makes their ratings more representative. Because they know who has responded to their surveys at any time, they can adjust their calling to keep samples representative, eliminating the need for heavy weighting of listening from any sub-sample. And, this is a much less expensive technique than the diary for gathering listening information - no mailings; no premiums; no follow-up contacts.

Cons: Interview covers only a potential 96 quarter-hours per respondent, so samples often need to be larger for equivalent market sizes. Only covers a one-day period, so listening patterns cannot be easily developed from their data, except on a macro basis. Acceptance by agencies is only fair - better in the Pacific Northwest (Eastlan's home territory) than in some other parts of the country.

Personal People Meter - This is Arbitron's most extensive attempt to develop a replacement for the personal diary. Still under long-term testing, the PPM hints at the promise of measurement techniques to come. In reality, the technique is rather simple. Stations broadcast an inaudible audio code that identifies them to the PPM. The PPM then records the time it started "hearing" a code and the time it stopped hearing it. Each night, the respondent takes off the PPM (fits in a shirt pocket) and places it in the re-charger base. Then the PPM feeds its data through the base to a phone line that connects to Arbitron's computers. The current test started with 400 meters placed with Wilmington, DE residents, and has expanded to include approximately 1,500 persons throughout the Philadelphia TV DMA. Arbitron has promised expansion of the test to include a market with significant Hispanic population. Because of cost and other factors, Arbitron is looking at using long-term panels of respondents, rather than the current "one week and you're out" sample base.

As one might expect, the PPM yields results that are different from the personal diary. While overall time spent with radio levels are fairly consistent, the PPM records far greater numbers of stations listened to than in the diary, for considerably shorter periods of time. Also, the tests have shown greater listening during middays and evenings, and less dur-

ing mornings and afternoons. Those differences in themselves stand to radically alter the "common wisdom" about radio listening habits.

The PPM is also capable of measuring TV viewing and, down the road, may allow measurement of exposure to individual ads. As a result, Arbitron has been holding talks with Nielsen about joint use of the PPM as a measurement tool.

Pros: Much more precise measurement of listening - removes the human factor. Capable of producing radio/TV/cable audience reports. Less hassle for the respondent than having to fill out a diary, which may lead to greater cooperation and response. Overall listening levels on a par with those resulting from the diary survey. Possibility of monthly - even weekly - audience reports.

Cons: Very expensive to implement: reports have placed the price for the PPM/base/charger combination at more than \$250 each; that price should come down in time, but the PPM will always be more expensive than a paper diary. And, those costs make joint ventures (such as Arbitron and Nielsen are discussing) mandatory. Possibility that respondents would become sensitized to the importance of their media exposure and manipulate it somehow (not probable, but possible). A few critics have opined that some groups may hesitate to accept PPM's (the groups may believe the PPM will feed information to law enforcement agencies).

It might be relevant to note that some broadcasters, particularly Cox Radio's **Bob Neil**, have voiced objections to the PPM. And they're right to do so, as the PPM will cost a lot to implement (and we all know who will end up paying that cost [hint: not the agencies]) and the dramatically different station-by-station results it produces.

RBR Observation: There is no one methodology in use today that's markedly better than any other. And that means that none is dramatically inferior to any other. Each methodology turns out audience measurement statistics that vary, sometimes considerably, from another's. It can't be helped—that's what makes statistics so fascinating to analysts and so frustrating to radio managers and programmers.

I've always felt radio should have at least two credible audience measurement services, and perhaps Cumulus's tests with Eastlan will result in that. We fear, however, that endless attempts to cut costs related to research will result in statistically flawed measurements of (even more) dubious quality over the long run. And while Mr. Dickey mentions the success **Greg Gentling** has had in Sioux Falls without numbers, we think he should know that in markets that size, agencies are far less important than they are in Houston, Nashville or even Toledo. We'd be interested to see how well his largest-market salespeople are able to deal with a saavy media buyer (who has the numbers at his/her disposal) when they don't. Or who won't accept numbers from anyone other than Arbitron. And there's the rub of any alternative service: if it doesn't have agency acceptance, it's not worth the powder to blow it up.

Radio Business Report

First... Fast... Factual, and Independently Owned

SESAC: The little engine that's roaring

SESAC President/COO **Bill Velez** has been instrumental in fueling the engine behind SESAC, the nation's fastest growing performing rights organization. After receiving his Bachelor of Arts Degree in English from Fairleigh Dickinson University in 1972, Velez went on to earn a Juris Doctor degree from Seton Hall University School of Law in 1979. He's served as Eastern Regional Director of Business Affairs with ASCAP and as President of William Velez and Associates, a music-rights consulting firm. Before joining SESAC, Velez was Senior Director, Latin Music for BMI and Director of Operations for PolyGram Records' music publishing interests in the U.S. Velez joined SESAC in 1993 as SVP/International. Here, we ask Bill about SESAC and its tremendous growth:

How has SESAC raised its airplay growth so phenomenally (310%) in the last few years?

SESAC's aggressive growth in airplay market share is attributable to several factors. First, we have a terrific team of writer relations reps in all of our offices (Los Angeles, Nashville and New York). Our current staffers are folks who maintain extensive contacts in the industry (even prior to joining SESAC). Accordingly, we have relationships with managers, entertainment attorneys, and record and publishing company personnel who keep us apprised of upcoming talent. For instance, we signed folks like Jazz artist **Cassandra Wilson**, piano instrumentalist **Jim Brickman**, Country star **Joe Nichols** and Trapt when they were relatively unknown. Today, several years later, they have developed into Grammy artists. Another example would be **Bryan Michael Cox**, one of our pure songwriters who was affiliated to SESAC several years ago. He has developed into one of the most "in demand" songwriters in the R&B/Urban format. Bryan has supplied hit song after hit song to artists such as **Mariah Carey**, Ginuine, Backstreet Boys, **Usher**, **Toni Braxton**, Jagged Edge, **Bow Wow**, **Aaliyah**, **Nivea** and **Lil Mo**.

In addition to great staff and focused attention on development of upcoming writers, our acquisition strategy also calls for strategic signing of established artists. In addition to **Bob Dylan** and **Neil Diamond**, for instance, SESAC just recently signed **Jerry Cantrell** (Alice in Chains) and **Bow Wow**, and we should have a couple of more significant signings to announce in the very near future.

Notwithstanding the success in terms of radio driven repertory, our most significant market share growth has occurred on the television side. Whereas SESAC's television presence was nominal in the past, the last couple of years have witnessed SESAC adding the following shows to its repertory roster: According to Jim, *The Agency*, *America's Most Wanted*, *Becker*, *Boston Public*, *Dharma & Greg*, *Frasier*, *King of the Hill*, *Maury*, *Montel*, *Seinfeld* and *Will & Grace*, in addition to many others.

What are SESAC's future goals?

This "little engine that could" has already achieved dramatic re-

sults in its first decade under new management and leadership. The future is likely to witness SESAC continuing to grow its performing rights business aggressively while, at the same time, always exploring new opportunities aimed at enhancing its core business.

Tell us how SESAC has evolved its technology for detection and billing over the years.

SESAC is proud of its record with regard to implementation of new technologies in the performing rights field. As far back as 1994, with the launch of SESAC Latina, SESAC became the first PRO in the U.S. to employ existing BDS (Broadcast Data systems) fingerprinting technology for the tracking of radio performances. SESAC later introduced BDS to all major radio formats in 1996 and, subsequent to that, ASCAP followed suit with its own BDS deal.

SESAC was the first and only U.S. PRO to pilot the launch of a watermarking technology for monitoring of local television performances. Ultimately, forces outside of SESAC's control led to this initiative being shelved for the moment, but watermarking may still be the key to resolving the longstanding gap with respect to comprehensive monitoring of local television performances on the part of all PRO's in the U.S. Most recently, SESAC has launched Audible Magic fingerprint technology for the monitoring of niche formats not covered by BDS. Particularly due to BDS and Audible Magic, SESAC maintains the most comprehensive and accurate monitoring of radio performances of any PRO in the U.S.

On the licensing side, SESAC introduced an unprecedented license for Latin format radio stations in 1994. Using the same BDS technology, SESAC was able to develop a license which itemizes all individual songs performed on a particular station during a monthly period. The station is then charged a weighted

license fee commensurate with the number of SESAC performed works in the station's overall play list. The Latina license is totally passive. In other words, we do not require the station to submit airplay reports or financial data, and the stations rave about the user friendly nature of this license structure.

Is there anything you'd like to comment on regarding the general relationship between rights organizations such as yourself and radio broadcasters?

Yes, I have worked previously at ASCAP and BMI and can report that SESAC has less of an adversarial relationship with its licensees. As far as SESAC is concerned, we have two distinct customer bases—songwriter/publisher and music users. Because of our for profit structure, we find it comfortable to deal with music users in a business-to-business environment characterized by mutual respect.

Tell us how your agreements with satellite broadcasters.

The licenses with the satellite broadcasters are based upon the number of subscribers—a proxy for the population of a station's market served—and the programming of the channel. The channels that do not feature music pay reduced license fees. As the satellite service's number of subscribers increases, so does the service's license fee.



Bill Velez

Salem Radio Networks: Mixing church and talk (and making it work)



Greg Anderson

When you think of Salem Communications, you think of religious broadcasting. It is, after all, the nation's largest commercial broadcaster specializing in Christian programming. But when it comes to its syndication division, Salem Radio Networks (SRN), the fastest growing segment of its business is secular-conservative Talk programming.

Greg Anderson, who established SRN in 1993 and has headed the operation ever since, admits there was some skepticism among general market broadcasters when SRN

branched out from religious programming to mainstream conservative Talk, but with years of operating history he says that resistance is all in the past now.

Make no mistake about it, there is a philosophical bent to SRN's programming. There may be plenty of other companies offering conservative talkers, but Anderson says SRN is unique in having a conservative, family-oriented approach as company policy for its general market programming, as well as its Christian offerings.

"There is no religious litmus test—we focused on what we refer to as a Judeo-Christian ethic—but there certainly is a stylistic value system that is important to us," Anderson said. "It is very pro-family. It is very conservative in its approach, but it is not denominationally-driven."

Two of SRN's talk hosts are not Christian at all. Both **Dennis Prager** and **Michael Medved** are Jewish. Their politics, though, are conservative. "Their religion is not the central factor in their program. Their religion is the central factor in their life...and that's what's important to us," Anderson said of the values-oriented approach at SRN.

Starting with a single show a few years back—the since-departed **Oliver North**—SRN now offers a nearly full schedule of Talk programming, with only the morning drive slot open—something Anderson hopes to remedy soon. However, he says, no one has yet been chosen for that slot. Like other syndicators, he says SRN is constantly on the lookout for "compelling talent." Such people aren't easy to find. Prager's is the newest show in the SRN lineup and he was added more than two years ago.

"This is an extremely competitive game. When we began these networks back in '93, there were probably fewer than 15 nationally syndicated programs. I don't know how many there are today, but there's probably 115," Anderson noted. "It's extremely competitive. What we do is look for people who are incredibly

good communicators who have, in most cases, an established local track record and who we think share our values and can be ratings and revenue successes in syndication. We don't have a big turnover. When we find someone, they typically stay with us a long period of time."

Here's a quick thumbnail of SRN's five conservative talkers, from Anderson's perspective.

- **Mike Gallagher** (9am-noon ET)—entertainment-focused, less political than the others (but still conservative), lifestyle-focused, on 180+ stations (the most of any SRN talk show)
- **Dennis Prager** (noon-3pm ET)—"not a slash and burn talk show host," reasoned in his dialogue, "provides an important alternative" to **Rush Limbaugh** in the same time period
- **Michael Medved** (3-6pm ET)—"the cultural crusader," articulate, focuses on cultural issues
- **Hugh Hewitt** (6-9pm ET)—"Hugh is our political junky," lawyer, former member of the **Ronald Reagan** administration
- **David Lawrence** (10pm-1am ET)—more Libertarian than the others, transitioned to talk from hosting a weekend computer show, "Online Tonight," which he still hosts on weekends for SRN.

Anderson said Prager gave him heartburn a few months ago, when Republican activists were trying to persuade the host to run for the US Senate. For now, though, Prager has put any political ambitions on the back burner, so SRN's program lineup is intact. Like many other syndicators, SRN subscribes to Arbitron National for ratings, so RBR asked whether there was interest in becoming a RADAR-rated network. "I would doubt that in the near future we would be a RADAR subscriber. I would not be surprised if two to three years from now we subscribe to RADAR," Anderson replied. "As I said, our fastest-growing programming segment is general market News/Talk and as we continue to build affiliations that's something we will consider."

SRN's conservative talkers currently have a total of 560 affiliation contracts, with station counts varying for each show. Anderson admits to having one big advantage over most other syndicators—Salem O&Os are the primary affiliates for SRN's News/Talk offerings in 19 of the top 20 markets—all but Detroit. "Today it would be extremely difficult to become a successful network without having owned and operated radio stations. You can play the syndication game to some degree, but to be a full-service network you've got to have those top 20. That's oceanfront property in the syndication business," he said.

That's not to say that clearances are guaranteed, since each Salem market manager is charged with making a profit and programming his/her stations the best way they can. "There's not a mandate on those stations that they take our programming. The Salem owned and operated radio stations are all my customers, but they're my toughest customers. I have to fight for them like I have to fight for any other affiliations," Anderson insisted.

With its affiliate count now at an all-time high, Anderson says SRN has recovered from the double-hit it took in late 2002 when its conservative talkers lost affiliations in several markets (the company put the count at around 60 for Gallagher and 30 for Medved) due to the launches of **Sean Hannity** by ABC and **Bill O'Reilly** by Westwood One. That caused Salem Communications to miss the Wall Street analysts' consensus for Q4 of 2002 (3/6/2003 *RBR Daily Epaper* #46) and CEO **Ed Atsinger** was repeat-



Laura Ingraham

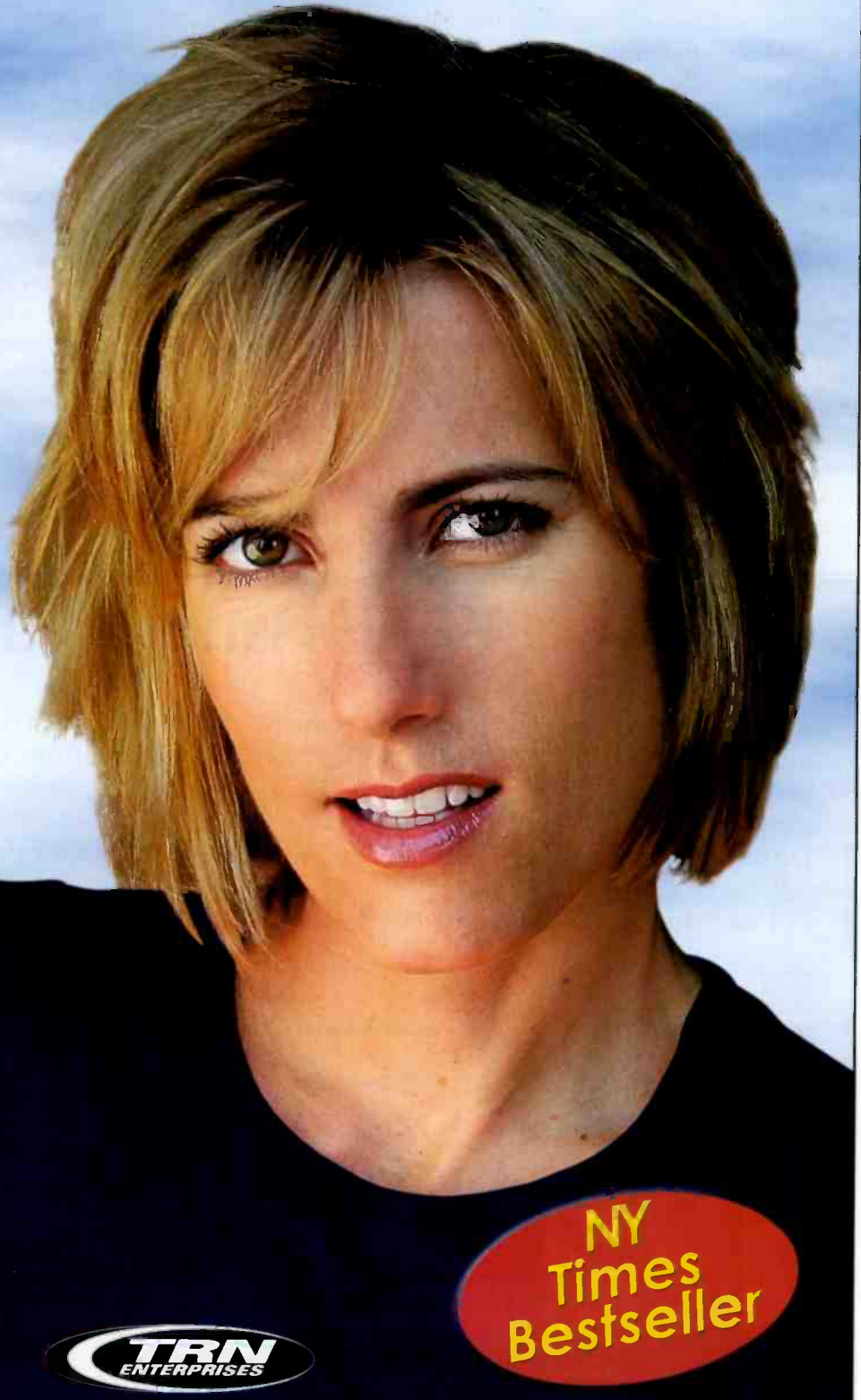
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St. Louis |
| KXL
Portland | KNUS
Denver |

Some Markets to Begin 1st Quarter 2004



**NY
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edly questioned in quarterly conference calls about progress on rebuilding.

Indeed, Anderson says that problem is now history and SRN's networks—religious and secular combined—were at an all-time high of 1,618 at the end of 2003, compared to around 1,500 a year earlier. Atsinger was clearly proud to go back to Wall Street in December with an announcement that Salem would report Q4 financial results higher than its previous guidance (12/9/03 *RBR* Daily Epaper #239).

Secular is growing, but Religion is still big

While this article has focused on SRN's general market News/Talk programming, its roots are still in Religious programming. In fact, SRN News, which supplies hourly newscasts, headlines, sports and business news tailored for Religious stations, is by far the network's #1 offering, with over 1,100 affiliates.

SRN's first Talk show, "**Janet Parshall's America**" still airs today, mostly on stations that carry mostly Religious block programming. Many of those stations also carry "America's Family Coaches Live," a daily Talk show featuring **Dr. Gary** and **Barb Rosberg**. SRN also has some short form and weekly programs, plus three 24-hour music formats—Contemporary Christian, "Praise" and Southern Gospel.

As President, Salem National, Anderson, previously an executive of the former Multimedia radio group, also oversees Salem Radio Representatives, which sells advertising for all of the SRN programs, both Religious and secular, plus national spot for the Salem O&Os.

For the Religious programming, Anderson says most, but not all, of the sales are to "affinity advertisers," who are less concerned about ratings but have a vested interest in reaching people who listen to Christian radio. "On the secular side of our programming, it would be general market fare of advertisers that you hear virtually on any other radio network," he said.

But that doesn't mean that some of the sponsors you might hear on **Howard Stern's** show would be welcomed at SRN. Anderson says his network turns down buys all the time. "There's rarely a week that goes by that we don't turn down programming. We have to be very circumspect about that for two reasons—number one, because a large number of our affiliates would not be comfortable with much of that, and secondly, from a desire to truly be safe for the entire family. We take this quite seriously, to provide compelling content to an audience that is interested in family issues," he said.

Thus, it's no surprise that, when asked to summarize SRN, Anderson offered this: "We are the leading network that provides Religious and family-themed radio programs."

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Rate cutting: Short term gain, long-term pain?

Rate cutting has always gone on in the radio biz—both with national, local and direct local business. It's a natural component to supply and demand economics. Cutting rates is one method a broadcaster uses to increase business overall in the short term. If their rates are lower than competition, they may be able to increase their overall share of business, yielding higher absolute dollars.

However, there are downsides. When stations offer what are often last-minute one-day sales—it gets the buyers a great deal. But even buyers recognize prolonged rate cutting isn't good for anyone. "Really, no one wants to see prices constantly decrease—it's just not good for the industry long term. However the industry has to earn increases through better product and service, which some do and many do not," says **Matt Feinberg**, SVP/National Radio, Zenith Media Services. "We're all coming off a not-so-good year. Sales managers are all over their people to raise rates as much as possible. I have seen some really flimsy reasons for rates increase lately. On the average, I see rates increasing a little bit with a few exceptions, but this atmosphere changes weekly and many vendors are willing to deal."

Cutting rates sets up an expectation for the buying community the next time around. It can be used as leverage against the broadcaster to maintain the lower rate for a specified share of the buy. It may be difficult to raise rates later and the perceived value of the product is diminished. When a client or advertiser gets accustomed to a lower cost basis or CPP, when the market heats up, radio may lose that customer. As well, groups that offer package deals with underperforming stations often hurt independent broadcasters in markets across the country. That's one downside to consolidation. See our GM Talkback section, pages 6-7.

"Advertisers who can wait until the last minute to place their buys can benefit when there is rate cutting," Interep CEO **Ralph Guild** tells RBR. "However, that strategy will backfire if inventory tightens and they're forced to buy at sell-out rates. Rate cutting is a short-term fix that can weaken rate integrity in the longer term."

However, he adds, "It is not happening at the well run radio stations and groups. There are always people who prefer to compete on price and not on performance. In the long run, stations and groups that maintain a consistent pricing strategy make the most money. However, it's important to remember that radio advertising, like hotel rooms, airline seats and produce has a fixed shelf life. Pricing must address this reality and within that framework remain consistent."



Stu Olds

"Radio is a supply and demand business and that relationship determines how stations and markets price their inventory. That pricing model is extremely fluid and it always has been and always should be," concurs Katz Media CEO **Stu Olds**. "Radio is under priced, period. Our goal should be to continuously increase the value of the audiences we reach and impact. Increasing demand will come from more sales calls and will be sustained through increased advertiser confidence in radio's schedule performance, additional proof of radio's impact through the

Radio Ad Effectiveness Lab (RAEL) and through greater confidence in audience measurements through some type of passive research."

"First we need to understand what they're cutting from—is it unrealistic sales rates that could not realistically be achieved, but that management insisted upon or rate cutting from low rates to start with?," questions **Natalie Swed Stone**, Director of National Radio, OMD. "Of course, discounting is part of the business (of many businesses)—in tougher climates, discounting is necessary, in stronger climates not necessary—I don't see bottom rates or desperation—we see realistic give and take."



Ralph Guild

However, it happens from time to time, and there are plenty of opportunistic advertisers—especially direct response, pharmaceuticals and some package goods—that will take advantage of it.

Says Guild: "Advertisers who are not seasonal or campaigns that are not coordinated with schedules in other media can purchase cheap bulk time without regard for when and where the spots run. That time has a lower cost due the difference in the demand it places on station inventory. Some advertisers have been very successful using this approach, but most find that a well planned, coordinated campaign works best for them."

Rate cutting is happening all the time, says **Jim Gaither**, Director of Broadcast, The Richards Group. "There are too many variables to specify why or when it occurs. Sometimes it's client specific, sometimes it's market specific, sometimes it's broadcast group specific, sometimes it's economic specific and sometimes it's negotiator specific. Broadcasters establish budgets (often unrealistically) and then they are under pressure to achieve those budgets. Cutting rates is one way a broadcaster uses to increase business overall."

However, on the other hand, Gaither warns: "If radio rates continue to creep higher, which they are in some markets, media negotiators will recommend to media planners that television be utilized in the next campaign. There is a general rule of thumb that the targeted cost-per-point of radio in a given market is approximately 50% of what the targeted cost-per-point for television. If the costs of radio increase in a market and begin to approach the costs of television, media professionals may recommend to advertisers that the campaign be executed in television (sight, sound, motion, demonstration, etc.)."

At the beginning of each year, the TV business that gets placed for February gauges how the first quarter for radio will fare, **Rich Russo**, JL Media's SVP/Director of Broadcast Services tells us. "Tune-in spending from the TV stations and networks will determine a lot of where radio's rates will be going forward. Fox is usually the biggest. Once the radio buyers determine if Fox and the others are spending more or less than last year, then all of a sudden it can be trickled down to radio. The TV networks are smart too, taking their time, realizing that every day they wait, another level of panic for radio will ensue."

Other than that, TV bears surprisingly little impact on radio's rates. "One would expect a correlation, but there doesn't seem to be one," claims Swed Stone.

"Not nearly as much as some people think," agrees Feinberg. "However, what can happen is that an advertiser wants TV, but can only put a certain percent of their ad budget there. So, planners start exploring options to obtain the desired overall reach within the budget they have. One way of doing that is put radio in the mix. This in turn would put more dollars in the medium and if the market is tightening up, it would in turn drive prices via a supply and demand scenario."

Glynn Walden on IBOC

He's had, and continues to have, an incredible career. Former iBiquity Digital VP Broadcast Engineering **Glynn Walden** recently returned home to Infinity Broadcasting as VP/Engineering (12/8/03 *RBR* Daily Epaper #238).



Glynn Walden

In his new role, Walden leads all of Infinity's engineering activities with the company's regional engineers reporting directly to him. Previous to iBiquity/USA Digital Radio, Walden was VP/Engineering for CBS Radio [now called Infinity] and Westinghouse and served as the Engineering Manager for KYW-AM Philadelphia.

In July last year (7/17/03, *RBR* Daily Epaper #139), iBiquity eliminated the jobs of Walden, VP/DAB Development **Rick**

Martinson and others in a cost-cutting move. Both were involved with IBOC development for several years, with Walden often being considered "The Father of IBOC." In his role at iBiquity, he wrote the IBOC technical and regulatory specifications for a design team of 50 engineers, scientists and technicians who developed the IBOC system. He also authored the transition plan that allowed broadcasters to move from analog to digital broadcasting with minimal technical and economic disruptions.

Here, Walden tells us a bit of history, his thoughts on IBOC and where it stands today.

Being there from the beginning, how did the concept of In-Band, On-Channel get started?

In 1989 there was increasing evidence that analog systems, be they copiers, hearing aids or media were destined to extinction. With the exception of US Radio, all known media were in the process of transitioning to digital. In Europe, the Eureka consortium was proposing a digital radio platform that promised to deliver CD quality radio free of the annoyances of multipath, adjacent channel crosstalk, noise and distortions inherent in AM & FM broadcasting. The only problem with Eureka's technology is it required new spectrum.

A group of US broadcasters began to explore alternate technologies that would allow existing AM & FM broadcasters to re-use their existing spectrum carrying the digital quality audio simultaneously with their existing analog programming. CBS, Gannett, and Westinghouse formed a consortium to develop this technology and I was lucky enough to be one of the three founding fathers of a concept soon to be known as In Band On Channel (IBOC) radio. The concept of IBOC is right for US commercial broadcasters in that it allows each and every AM & FM to convert without new spectrum, preserve listening patterns by using the same dial position and inexpensively convert to digital by reusing the existing broadcast transmitter infrastructure.

Furthermore, without new spectrum, IBOC systems are easy for the FCC to administer.

The allure of the IBOC concept was further enhanced through

the transition plan developed by Rick Martinson and myself. The IBOC transition plan calls for broadcasters to transition from an analog service to a digital service in two phases. The first phase is called the Hybrid phase where digital and analog are simultaneously transmitted and the second phase where broadcasters cease to broadcast analog and begin All-Digital transmissions. The All-Digital mode allows broadcasters to improve coverage, deliver new and improved data, ancillary audio and video services that will be necessary to compete in a multimedia world.

Why should broadcasters add a digital broadcast?

The beauty of the IBOC digital transition plan is that it allows broadcasters and listeners to convert as competitive and market conditions dictate. Unlike other media conversions to digital, there are no dates where broadcaster must either commence digital operation or cease analog transmissions. With IBOC, broadcasters convert on their own schedule to the compatible Hybrid mode as consumers begin to buy IBOC receivers. Digital listeners now receive the CD quality audio, ancillary data and additional audio services while analog listeners continue to be served. At a point in the future where there is sufficient IBOC receiver penetration, a broadcaster may choose to convert to the All-Digital mode. The All-Digital mode allows the broadcasters to better serve their audiences and take advantage of the economic benefits and additional capabilities of the All-Digital system.

Give our readers a bit of history on IBOC development.

IBOC development has proceeded in four phases. The first phase was a small development project called "Project Acorn" that was funded by the three founding partners. This phase was initiated to see if CD quality could be transmitted within an FM channel. The project was a success and the results demonstrated at the Spring NAB in 1990.

In the next phase, the founding companies formed USA Digital Radio, USADR, with a goal of developing a "concept" system. This system was developed to demonstrate on commercial radio stations that digital audio could be transmitted and received with minimal interference to the existing analog "host" audio.

The developmental work resulted in the first FM IBOC transmissions on August 29, 1992 over WILL, in Urbana, IL and the first AM transmission on July 9, 1992 on 1660 kHz in Cincinnati, OH. The AM and FM IBOC systems were successfully demonstrated to the public at the Spring NAB convention in 1995.

The third phase of the IBOC development program expanded the ownership and investment to include 10 of the top 12 broadcasters and focused on the development, testing, and regulatory approval of a commercially "fieldable" AM & FM system. In this phase the robustness and compatibility of the system were optimized for commercial service and FCC approval. This design resulted in the AM & FM systems in use today and first demonstrated at the NAB Radio Show on WMMO, Orlando, FL, in 1999.

With this design, USADR produced sufficient transmission and receiving hardware needed to support system testing on multiple radio stations. With a completed design and operational hardware, the system was ready for independent industry evaluation. The National Radio Systems Committee, NRSC developed a test program to ascertain if the IBOC system delivered better quality than analog and was compatible with existing receivers. This comprehensive

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- Bob Demuth, Vice President and Chief Technology Officer
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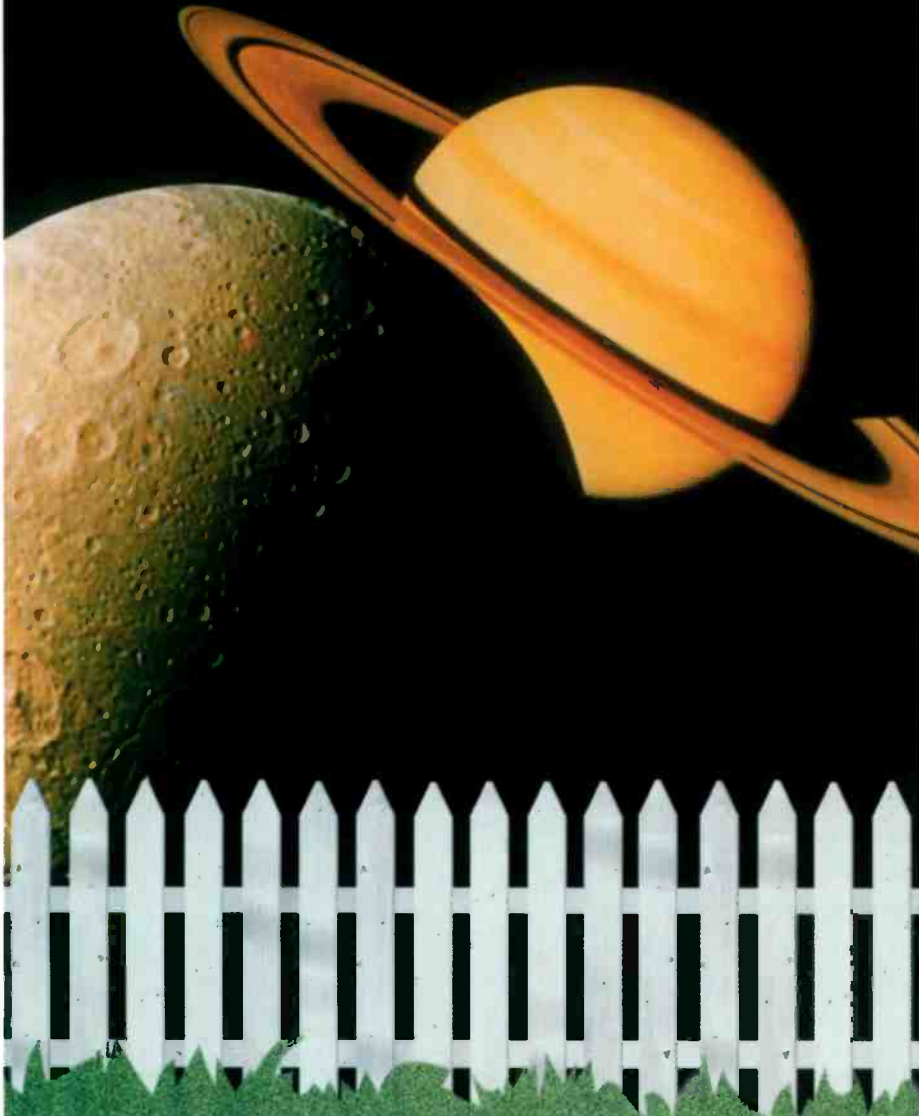
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test program involved laboratory and field testing programs as well as extensive subjective evaluations. This was the most complex testing program ever devised for a commercial broadcasting system.

The NRSC's testing program was focused on two key elements of the system; compatibility with the existing analog transmission system, and performance of the digital audio, and its robustness. The testing program, conducted under laboratory and field conditions, resulted in objective numbers and thousands of recordings that were subjectively evaluated by professional and general population observers.

Ultimately, IBOC testing was conducted on 13 stations with some stations remaining continuously operational for as long as five years. The testing program resulted in the NRSC's endorsement of AM & FM systems.

In phase four, USADR merged with its competitor, Lucent Digital Radio, LDR, to form iBiquity Digital Corporation. iBiquity's focus was on the commercial roll-out of product. One of iBiquity's first successes was the commercial branding of the product as HD Radio. iBiquity partnered with commercial transmission and receiving manufacturers to roll-out HD Radio. At the spring, 2002 NAB, iBiquity and its commercial transmission manufacturing partners rolled-out commercial grade IBOC exciters and transmission systems. The following January, 2003, at the Consumer Electronics Show, CES, 13 receiver manufacturers announced plans to produce HD Radios.

On October 10, 2002 the FCC accepted the NRSC recommendation to approve iBiquity's HD Radio system and actively encouraged the industry to convert to digital radio.

Where do we stand today?

The roll-out is happening, broadcasters are converting to IBOC, and receivers are being sold. If one looks at the typical uptake on digital technologies, with the exception of broadcasting, one views a slow ramp following introduction, and then a "price-point inflection" occurs and the curve turns up quickly, like a hockey stick turned on its side. The difference that I see, in broadcast systems, is that the initial ramp-up will be longer, however, hold onto your hat when the inflection point takes place. The transition from Hybrid to All-Digital will be a "second coming" of the uptake ramp. The beauty of the HD Radio transition plan is that it allows a broadcaster, when there is a compelling economic and operational reason, to transition to All-Digital. This final transition to All-Digital will be determined by market conditions, receiver penetration, and the economic advantages of the transition.

Radio broadcasters now have in their hands the opportunity to a secure and digital future. They are in control of how quickly they can take advantage of that future.

Glynn can be contacted at
glynn.walden@infinitybroadcasting.com

Dynamic RDS:

The latest on deployment, uses

RDS/RBDS or Radio Data System/Radio Broadcast Data System for FM has come a long way since the simple display of call letters or station monikers. Groups are quickly taking advantage of the new technologies offered. Clear Channel Radio rolled out dynamic RDS on 192 of its FMs in the top 50 markets late last year. The deal, via Audemat-Aztec, scrolls the name of artists and song titles playing, station call letters and local traffic information in real-time.

CC Radio/Cincinnati has been testing weather reports over RDS (12/24/03 *RBR* Daily Epaper #250). **Jeff Littlejohn**, SVP/Engineering, CC Radio, tells *RBR* the company's recent deployment of Audemat-Aztec is taking on a new twist with its FMs in Cincinnati displaying scrolling weather reports during stopsets: "For now, we are keeping this as a listener benefit, not a sales vehicle... but that may change in the future. Right now it says: Tuesday Weather PT CLDY High 40 Low 36 Wednesday Weather Rain High 50 Low 43. We're getting info from the National Weather Service."

Audemat-Aztec's FMB80 Dynamic RDS generator with TCP/IP connectivity communicates with the automation software through its serial or Ethernet-TCP/IP ports to send song and artist information and station messages. The Radio Experience has also updated its RDS applications to give stations the ability to scroll an eight character descriptor across the receiver faceplate.

CC Radio's KISS-FM LA also leveraged dynamic RDS (dRDS) with its "Wango Tango" concert event. dMarc Networks' "877-SONG-NOW" service allows listeners to view song and artist information as its paying and seamlessly purchase music via the phone. CC Radio's deal with dMARC Networks includes Southern California stations.



Gary Kline

Cumulus VP/Engineering **Gary Kline** tells *RBR* about their efforts: "We're looking at a lot more than just name and artist. We've looked at ads, traffic, weather, sports, text messaging, amber alert, and a lot more.

We've tested systems where you can call a phone number or go online [CC Radio has as well in LA] and put a greeting in and pay us \$5. The radio will actually show your greeting. We've done some testing with 877-SONG-NOW as well."

He adds, "We have not decided yet on a specific system. We are still evaluating. In markets where we quietly tested the Audemat system without promoting it we noticed good

RBR March 2004

listener feedback. As an example, we scrolled an 800# across one of our test markets and logged a large number of phone calls to it."

What feedback has Kline been getting from CEs in each market? "We had some tweaking to do, more so with firewalls blocking automation system data. We've designed our computer systems to protect intruders from getting in to our network. So when the RDS system needed data from our network we had to find a safe and secure way to do this. We also had some fine tuning to do at the transmitter sites. But these were minor issues and were quickly solved."

Bonneville VP/Engineering **Talmage Ball** tells us they're using the Audemat-Aztec system in a number of markets for station ID, scrolling artist and song info: "We're doing two stations in San Francisco: KOIT-FM and KDFC-FM. I talked to the CE **Shingo Kamada** and he finds that different radios play back the RDS text differently. It's not a big problem, but it's a little disconcerting because you kind of have to be careful how you program it so that it plays back what you want on most receivers. His biggest comment was there doesn't seem to be standardization in the way the receivers displayed it. Some receivers drop a few letters, some put the last character in the next frame. So he's working with that to see the best way to do it. We're using the Audemat FMB-80."

On a group-wide basis for Bonneville, where does Ball think advanced RDS will end up? "We have a management meeting the first of every month. This is going to be one of the major agenda items in March. We talked about it last year and decided to do a couple of test sites. In Chicago, we're doing WTMX-FM and WNND-FM. My CE **Marshall Rice** has been working with me in St. Louis. He has two stations-WIL-FM and WSSM-

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FM-scrolling artist and song title. He's worked with two different software providers—you have to dedicate a simple PC with software to extract and interpolate the data from RCS to the Aztec [CC Radio wrote its own software for that function]. And he's tried both of them. Both work OK." [The Radio Experience and Stratos Audio]

However, Rice tells *RBR* he decided to do it in-house, as well as CC Radio. How does he do it? "We're taking the RCS text file, which is the RCS 'billboard' file...we're already taking that text file and sending it out to the web for our 'now playing' portion on our web page. So all we did is ran a PHP script that takes the text file that we're sending out anyway, there's a couple more manipulations to it with a Linux box via the serial port. And then go from the serial port over into to the RDS encoder."



Jeff Littlejohn

Another item of note: stations have the ability to increase or decrease the range, or "punch" of their RDS text. The injection of the SCA signal that RDS is carried on can range from 3% to 7% and even 10%. The lower the injection, the less coverage area the RDS will be effective (i.e. the 60db contour). Says Littlejohn: "It's a station decision as to how much you want to put in. How much loudness do you want to give up on your main channel in order to make RDS work all the way out to the edge of coverage?"

Littlejohn says he'll be on a RDS panel/seminar at NAB 2004 in Vegas to discuss RDS. Here, we asked him more about CC Radio's dynamic RDS rollout:

How does the system interface with digital on-air systems?

Clear Channel has standardized on the Prophet Automation system. At the beginning of each song, the title, artist and cut length are sent to a central controller location where the text is formatted to remove things like "Radio edit" or other text that a listener wouldn't really want to see.

Is there any way to change the speed of the scrolling?

Yes, you can. That is a function which is built into the Audemat encoder. When the display text is sent, you also include codes to determine the scroll rate and speed. We've determined that an update about every two seconds works best and rather than scrolling the text across the screen we are dynamically changing the text in a manner very similar to Delphi's Radio Text implementation.

What feedback have stations been getting from listeners?

Feedback from listeners has been fantastic...they love it. We've received dozens of emails and phone calls. All are positive. The general comment is "Thank you so much... I had no idea my radio would do this."

What feedback have you been getting from CEs?

We've got a great staff of engineers in the market and they've done a great job getting this implemented with very few problems. We've made a few mistakes, like setting all of the encoders in one market to the same PI Code... but that was easily and quickly corrected once we found out.

Will HD Radio interfere with the system's use of subcarriers?

HD Radio is completely compatible with RDS. While at the

Consumer Electronics Show in Vegas, I found that all of the receiver manufacturers are planning to keep RDS as a stock feature in their HD Radios.

Can the Audemat system work on an HD Radio display?

RDS is only an analog transmission standard. HD Radio will utilize the same type of labeling that MP3 devices use-ID3—it will display title, artist, genre and album.

New products

Staco Energy debuts new conditioning power system

Dayton, OH-based Staco Energy Products has unveiled an innovative new conditioning power system (CPS). The FirstLine CPS protects against 98% of all power problems, has a low cost of ownership, extremely low maintenance requirements and built-in diagnostic tools. It's designed for use in broadcasting, for applications where blackouts are rare, but expensive production and editing systems can be damaged by poor power quality. It saves money by extending the life of the equipment and keeps operations up and running through unstable power situations. It's unique because it can provide a high level of protection for equipment where traditional UPS cannot be used because of environmental or cost considerations.

Through its double conversion technology, the FirstLine completely isolates the connected load from the primary AC supply, protecting it from voltage sags, high voltage spikes, transients, and frequency variations. It delivers a true sine wave output, which is what all electrical equipment is designed to use.

The system can be configured for any 208, 400 or 480 VAC application. FirstLine can now be purchased in 30, 40 and 65 KW ratings, with a broader range of ratings planned for release soon.

DRS Broadcast to unveil new line of FM transmitters

DRS Broadcast Technology (formerly Continental Electronics) will be introducing the beginning of a new line of Solid State FM Transmitters at the 2004 NAB Show from booth #N2402. The first introduction of the new Continental Electronics line will be the 815D5 and 815HD5. This is a 5kW solid state FM transmitter that is a (PRD) "pure reliable deployment" design. The RF combining and splitting system is designed and tested to withstand up to three times its operating RF requirements to insure long term reliable service in harsh and often times abusive loads.

This transmitter line wields a unique combiner system that insures that the most RF possible gets to the output in the event of single or multiple amplifier module failure. All of the Continental FM transmitters use the proprietary "Soft Start" power control to gently apply primary voltage.

Conservatively rated SCRs are used to maintain a constant forward RF power output even with line voltage variations. The control and diagnostic system is of a rugged and simple design so that rapid troubleshooting and repairs are made possible. The 815 Series includes 24.5" (12 rack units) of user available 19" wide rack space and built in ancillary equipment power outlets. This area is located in a non-interlocked area and accessible from either the front or rear. This eliminates the need to purchase a separate rack for processing, remote control, etc.

Bret Brewer, DRS Broadcast Marketing Manager, tells *RBR* 10kW and 20kW versions will soon be available.

By Jack Messmer
jmessmer@rbr.com

Crystal-ball gazers see bright 2004

The long-awaited recovery in radio ad spending must finally be taking hold. Every forecaster we know of is confident that radio will see revenues rise substantially in 2004. In fact, their figures indicate that radio revenues should break the \$20B mark this year.



The dean of ad forecasters, **Bob Coen**, Sr. VP and Director of Forecasting at Universal McCann, says 2004 will be a strong growth year for ad-supported media, led by network TV and cable.

"Things look better as we look ahead," Coen said as he reviewed 2003 and looked to the future in his annual December appearance at the UBS Media Week Conference in New York.

With election races heating up, Coen sees increased demand ahead. "The extra political activity plus the Summer Olympics in Greece combined with the brighter business climate will fuel strong growth in national advertising in 2004," Coen said. "The TV and radio media will be the major beneficiaries of the extra spending related to the Olympics and election activities."

Coen claimed credit for hitting 2003 ad growth right on the head, with total advertising finishing the year up 5.2%—right in line with his forecast a year ago of 5%. However, he admitted to some luck making that happen. National advertising growth was stronger than he expected, while local was softer.

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At BIA Financial Network, Vice President and Chief Economist **Mark Fratrik** tells RBR he expects radio ad revenues to grow 6% in 2004. He sees a return to traditional growth patterns, which were disrupted by the recession.

To talk about radio, a lot of what's said has to deal first with TV, whose inventory tightening is expected to be good news for radio. And Fratrik is expecting a big year for TV at the station level, where he's expecting national and local spot revenues to rise 10%.

2004 is an election year and, despite campaign finance reform, he's looking for heavy spending. "The political parties are going to have an incredible amount of money to

Bob Coen's 2004 forecast

Media	% Change Over 2003	2004 Projections \$(000,000)
Four TV Networks	+ 12.0%	\$17,388
National Spot TV	+ 9.0	11,605
Cable TV	+ 12.0	15,818
Syndication TV	+ 9.0	3,803
National Radio (network+spot)	+ 7.0	4,667
Magazines	+ 5.0	12,353
Newspapers	+ 7.5	7,828
CONSUMER MEDIA SUB-TOTAL	+ 9.3	73,462
Direct Mail	+ 5.0	51,514
Yellow Pages	+ 3.5	2,182
Internet	+ 10.0	6,176
Other National Media	+ 7.0	33,083
TOTAL NATIONAL	+ 7.4%	\$166,417
Local Newspapers	+ 6.0%	\$40,445
Local TV	+ 7.0	14,537
Local Radio	+ 6.0	16,039
Local Yellow Pages	+ 3.5	12,219
Other Local Media	+ 7.2	16,726
TOTAL LOCAL	+ 6.0	99,966
TOTAL NATIONAL	+ 7.4	166,417
GRAND TOTAL	+ 6.9%	\$266,383

Source: Universal McCann

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spend. In particular, the re-election campaign [of President Bush] will have lots of money to spend between the end of the primaries and the beginning of the convention—and that's not within the lowest unit charge window. I think there's a real potential there," the BIA analyst said of the year ahead for TV. "It's going to vary by market substantially, just because some states are battleground states and you can be damn sure the campaigns know that and know how to place the ads where they may be most beneficial," he said.

"Radio, while it doesn't get any strong direct benefit from most political campaigns, maybe will benefit indirectly. So we see radio right now at being around 6%," Fratrick said. He also noted that the estimate could change as BIA gathers more data market-by-market.

"I'm a big believer that the economy is in incredibly strong shape," Fratrick said of big picture economics. "I think the job growth will be more noticeable over the next few months, though I don't think the unemployment rate was ever so high nationally that it affected too many people. Consumers kept spending," he noted, which kept the economic downturn from being worse. "As we have more and more months of economic growth resulting in some job growth, that retailers and other businesses will become more convinced that this is a sustainable recovery and advertise more."

Mark Fratrick's 2004 forecast

Radio	+6%
TV stations	+10%

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Also bullish on 2004 is forecaster **Robin Flynn** at Kagan World Media. She's looking for total radio ad revenue growth of 7.1% and a double digit gain for the TV station business—11%.

"In a nutshell, I'm looking for a recovery in 2004 thanks to the combined quadrennial effect of the Olympics and the Presidential election," Flynn told RBR. "In addition, general Q1 advertising trends appear to be very positive, which sets a stronger tone going into the year. March

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radio pacings are coming in strong (+10% for Viacom) thanks in part to easier comps. While national drove the growth in 2003, broadcast executives are now talking about stronger local trends in 2004, and are also mentioning pricing growth. Automotive and telecom categories are expected to strengthen in 2004. In addition, upfront commitments for 2004 are holding strong, with cancellation rates of 2%-3% vs. typical rates of approx. 10%."

Robin Flynn's 2004 forecast

Radio	Gain
Network	8.0%
National spot	10.0%
Local/retail	6.4%
Total radio	7.1%

TV stations	Gain
National spot	13.0%
Local spot	9.5%
Total ad revenues	11.0%

Source: Kagan World Media

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After a couple of years in which he issued frequent revisions of his forecast as market conditions changed, **Jack Myers** of the Jack Myers Report has been sitting pat since issuing his 2004 forecast back in October.

At that time, Myers said his numbers were "spurred by a bullish outlook for newspapers and consumer magazines, plus a generally more positive outlook for radio." Thus, he increased his earlier rough projection that 2004 would see total ad spending rise 5.3% to show a gain of 6.1%.

Jack Myers' forecast

(growth/decline from previous year)

Medium	'04 forecast
Newspapers	+3.2%
TV Networks	+5.6%
Local/National Spot TV	+9.8%
Syndication TV	+4.5%
Radio	+6.0%
Yellow Pages	flat
Magazines	+7.6%
Cable Networks	+9.6%
Local/Regional Cable	+15.0%
Online traditional adv.	+20.0%
Outdoor	+3.0%
Total	+6.1%

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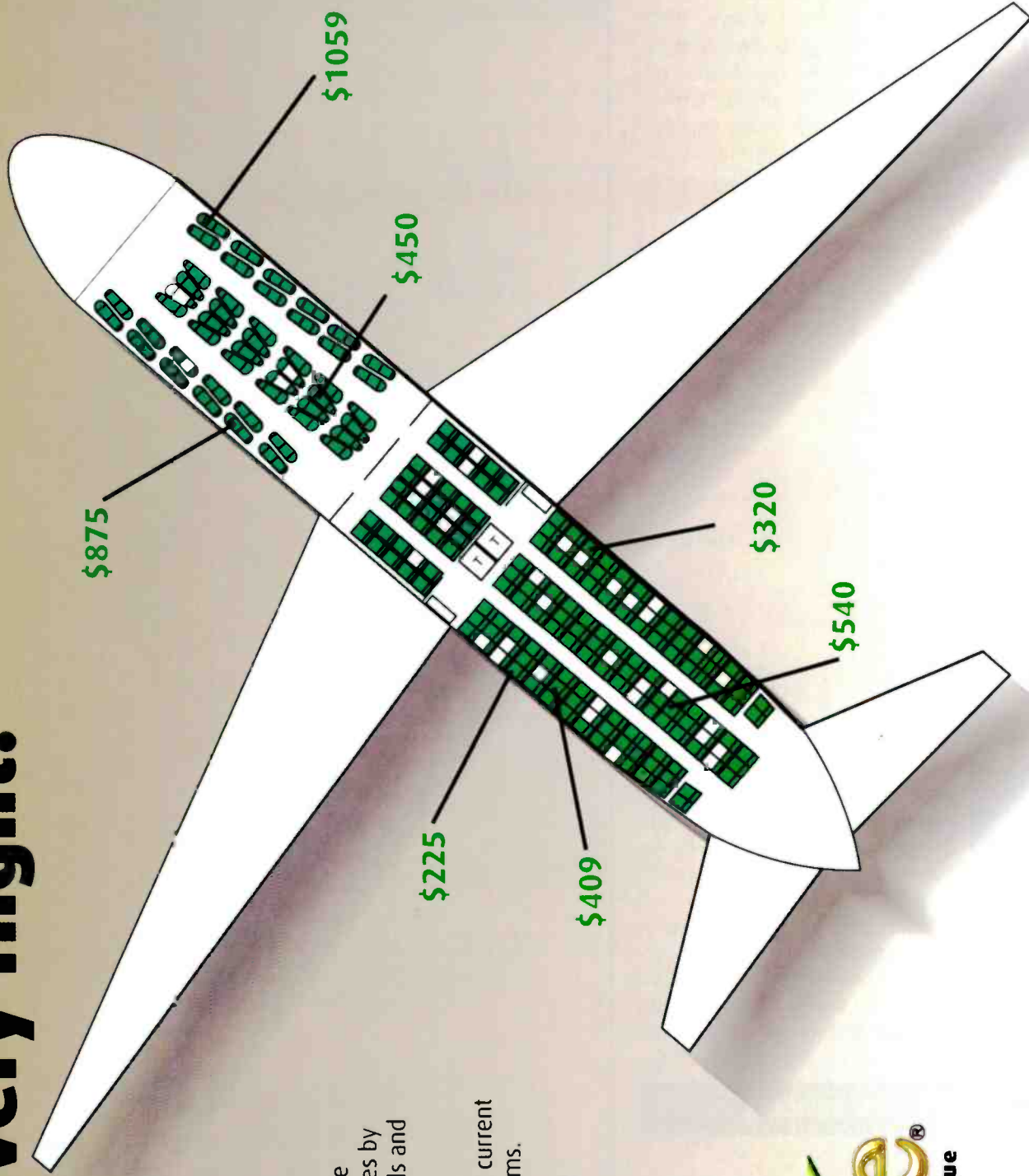
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