RBR TVBR

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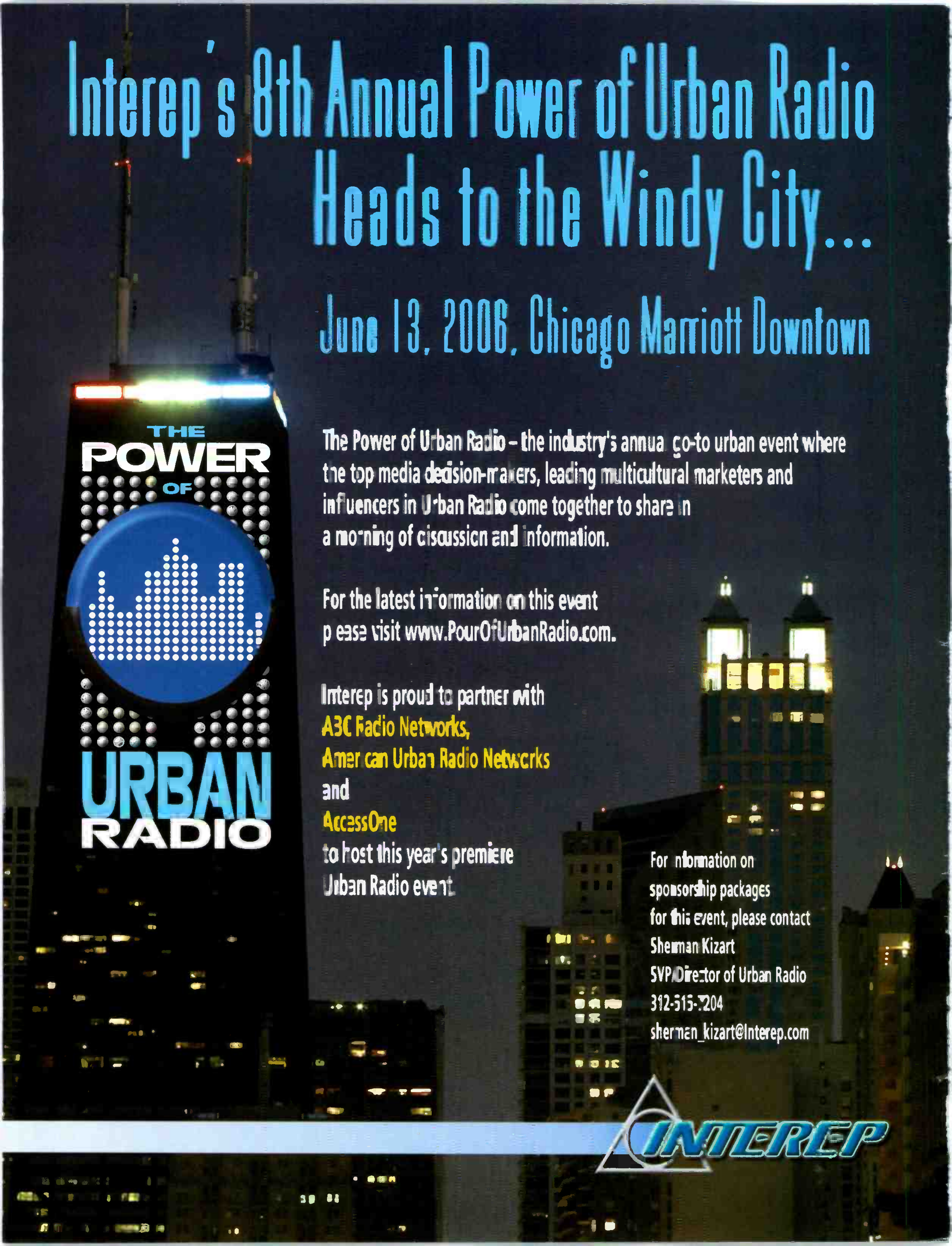
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PPM update: Nielsen walks; Arbitron decides to run

Arbitron's Portable People Meter (PPM) won't be the new ratings tool for US television. Nielsen said "no thanks" after a lengthy analysis of whether to enter a joint venture with Arbitron to deploy PPM to measure radio, TV and cable.

"We recognize the appeal of a portable, single source measurement. While it may offer considerable benefits for radio research, we believe that a one-size-fits-all measurement system is not the approach for a currency in today's complex television markets," said Nielson CEO **Susan Whiting.**

The question now is whether PPM will be the new ratings standard for radio. Arbitron says yes, and announced an aggressive schedule to deploy PPM in all of the top 50 markets, beginning with Houston this summer. Never mind that the company currently has no stations signed up for PPM ratings in Houston and only a dozen owned by two companies—Beasley Broadcast Group and Spanish Broadcasting System—in the entire top 10 markets.

Meanwhile, the Next-Generation Electronics Ratings Evaluation Team (the multi-company team evaluating responses to Clear Channel's RFP finally has a name) has selected three finalists for a new, electronic radio ratings system. MediaAudit/Ipsos, Arbitron (PPM) and Mediamark Research are being invited to provide more details, with some then to be invited to proceed to a live test stage, with commercial implementation of a new radio ratings system still targeted before the end of this year.

RBR observation: "Not invented here" is apparently part of Nielsen's resistance to PPM, as is its own parent VNU's corporate turmoil, but the company did put a lot of time, effort and money into evaluating PPM and decided to take a pass. That riled some folks on the ad buying side, who had been pushing hard for Nielsen and Arbitron to team up and deploy PPM—yesterday if not sooner. Now they're putting the full-court press on radio groups to embrace PPM and Arbitron's roll-out schedule. But the radio guys aren't being hurried. While only two radio groups have committed to PPM, compared to dozens of ad agencies, most of the radio groups, including giants Clear Channel and CBS Radio, are waiting to see what comes out of what is now a three-company competition. PPM may have more test results to show, is well along on an MRC audit and is actually in commercial use outside the United States, but some of the Next-Geners see things to like in the Media Audit/ Ipsos proposal which uses "cool" Smart Cell Phones and tries to have it both ways on encoding. It tracks listening to stations that encode, but then tries to fill in the gaps with sound-matching, while its competitors use one or the other.

Spitzer draws first radio blood

After reaching settlements with two record companies, New York Attorney General **Eliot Spitzer** has turned to radio and filed his first lawsuit alleging corporate payola. The lawsuit, filed in a New York state court, accuses Entercom of trading air time for gifts and other payments, trading air time for promotional items and personal trips, soliciting and accepting payments from record labels for air time, and operating corporate programs directed by senior management to sell air time to labels in order to manipulate music charts. "By accepting secret payment in exchange for air time, Entercom compromised its radio programming and violated state and federal laws," Spitzer declared.

RBR observation: Should the citizens of New York choose to vote for him, we hope Eliot Spitzer turns out to be a better governor than he is a lawyer. For Entercom to have violated the federal payola law, as he alleges, it would have had to have taken payments that it kept secret from itself. The other issue, then, is sponsorship identification. Spitzer's claim that spin shows are "illegal" is ludicrous, since the whole point is to sell a sponsorship for each song, which is announced on air. That leaves only his contention that all payments and promotion items transferred from a record label or independent promoter to a radio station are really buying airplay. We haven't seen the Entercom contracts, but from what we know of industry standards, such contracts are supposed to spell out clearly what a label or indie gets for its payments—generally research data and such—and they strictly prohibit any link to airplay. So, did Entercom's actions violate a general New York business fraud law that doesn't specifically address radio or record industry practices? We have no idea, but given his inept reading of the federal statutes, we wouldn't bet on Spitzer having that one right either.

TELEVISION NEWS

TV NEWS

2005 ends with local TV down double digits

The numbers from TVB speak for themselves. As expected, revenues for local TV stations (local and national spot combined) were down 10.9% in Q4, with declines in seven of the top 10 ad categories. But while business at the station level was down in Q4, things ere looking up in both syndicated TV and network TV. The even better news is that it is now 2006. Political advertising is back this year. January and March were up—and February as well if you were an NBC (Olympics) or ABC (Super Bowl) affiliate.

4th QUARTER 2005 SUMMARY
LOCAL BROADCAST: Top 100 Markets

	4th Qtr '05	4th Qtr '04	% Chng
LOCAL BDCST TV*	$4,692,757,700	$5,269,051,900	-10.9
SYNDICATED TV	1,145,074,700	1,032,433,800	10.9
NETWORK TV**	7,043,279,200	6,647,603,700	6.0
TOTAL BDCST TV	**$12,881,112,000**	**$12,949,089,000**	**-0.5**

FULL YEAR 2005 SUMMARY
LOCAL BROADCAST: Top 100 Markets

	FULL YEAR 2005	FULL YEAR 2004	% Chng
LOCAL BDCST TV*	$16,754,883,000	$18,371,113,700	-8.8
SYNDICATED TV	4,222,485,300	3,930,908,900	7.4
NETWORK TV**	25,082,979,700	24,897,875,200	0.7
TOTAL BDCST TV	**$46,060,348,000**	**$47,199,897,800**	**-2.4**

* Includes both local and national spot activity in the top 100 markets.
**Network figures include WB, UPN and PAX.

Source: Television Bureau of Advertising (TVB) from estimates supplied by TNS Media Intelligence.

AAAAs Media Policy Committee issues challenge

It's an ongoing problem and controversy—media agencies are wondering why networks won't deliver Nielsen's live minute-by-minute/ commercial ratings numbers. The issue was exacerbated days before the AAAAs conference in Orlando in March with ABC President/Sales **Mike Shaw** issuing an ultimatum that he won't do business with agencies that insist on only using Nielsen Live Ratings in negotiations.

Jon Mandel

As promised, **Jean Pool**, EVP/Director of North American Operations Universal McCann, Chairman of Media Policy at the AAAAs, unveiled a new initiative at her keynote speech at the AAAAs: "**Jon Mandel** [Chairman/MediaCom US and Chief Global Buying Officer MediaCom Worldwide] mentioned a big announcement directly affecting accountability will be made at the AAAAs conference. We all know that traditional media-TV, radio and print-have been under assault by advertisers, wanting to know if and how the media work as advertising vehicles. Budgets are being reallocated to vehicles like Direct Marketing and the Internet, even though those media deliver a much smaller audience. Sadly, traditional media tend to dig themselves into a further credibility problem by preventing research companies from fully providing all of the data to agencies and advertisers that we, and themselves use. This, then, is the initiative that the AAAAs Media Policy Committee has taken on. We challenge the traditional media to provide full disclosure of all research. In the end, we want commercial ratings, not program averages. You have had this data for years and years. You must share the data or be seen as trying to hide some dirty little secret. That attitude puts you in the sphere of the dinosaur. Wake up."

TVBR outlook and observation: The agencies are not saying they want to change the currency to commercial ratings only. They want to get all of the information that's available to study overall viewing habits. Perhaps commercial ratings are totally unpredictable. They need to study why. Perhaps for some shows, commercial ratings are very close to program averages (if that's possible). That show would command higher dollars than it's getting now. It's not too late for a network to make the proclamation that it will work with commercial ratings before the upfront. That network will be swarmed by agencies to get that data and work deals. It's not about chiseling down price, it's about knowing the consumer better. Television needs to do itself a favor and move forward to compete better with new media. No better time than the present, right?

By Carl Marcucci/cmarcucci@rbr.com

What issues would you like to see NAB CEO David Rehr tackle?

Bill Christian, CEO, Vision Communications' WBGT-TV & WYDC-TV, Corning, NY:
Small market Duopoly. It is way past time for a relaxation of the ownership rules. Between the Internet, newspapers, radio, TV, cell phones and I-pods, there are more than enough voices in even the tiniest markets. Where stations have gotten together it has actually added to localism in the marketplace. Little stations that have lost revenues from national advertising deteriorating and network comp drying up have nowhere to turn except to cut localism. Free them up to get back to serving their communities.

Also, getting the remaining networks back into the NAB can only make its voice stronger. Sure, we don't always see eye-to-eye. But some of the issues out there are much larger than our petty squabbles, and we need to be as loud and clear as possible to promote free, over-the-air digital and analog broadcasting.

TV station translators and LPTVs still have a way to go in the digital transition. If the NAB pushed for immediate flash-cut to digital for these stations (at least Class As) in exchange for mandatory cable must-carry, it would speed up the transition, free up spectrum, decrease interference to Full Power TV, create a stronger over-the-air system, sell digital TV sets, and better serve many communities.

Robert Hyland, President Una Vez Mas Television stations:
The NAB in many ways reminds me of Nielsen. Many of the rating service's station subscribers are unhappy with them for what they consider to be inadequate sample sizes, improper ethnic weighting, meters off line, you name it.

The same principal holds true for the NAB.

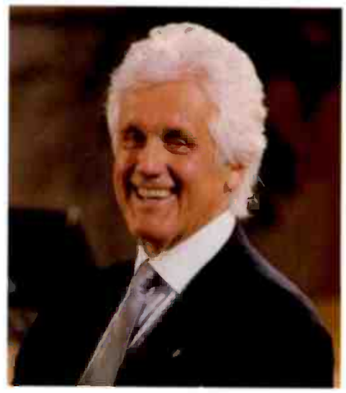
Remember when the Broadcast networks wanted the station cap to be 50%. Who fought the networks then? It was the Television station general managers and Broadcast group operators led by **Alan Frank** of the Post Newsweek stations. They won and the cap was topped at 39%.

The NAB supported the stations over the networks. Now we come to an issue that should achieve unanimity...retransmission consent. Broadcasters should receive compensation from the cable operators for carrying the most popular over the air programming.

The networks pay for all their programming and spend hundreds of millions of dollars each year competing with each other to reach the most number of viewers.

I recall that ABC spent millions on the pilot for "Lost", now one of the most popular shows on over-the-air television. Consider too the programming rights that NBC paid out to carry the Olympics and the NFL packages on NBC, CBS, and Fox. These were major in terms of dollars and in programming commitments. There is also the important fact that the local market station is tied directly to the community it serves with local news and information. How the broadcasters get retransmission consent dollars is up to each station or group, but the NAB should be providing support, and be pushing this agenda at full speed.

I would hope the retransmission fees would be plowed back into programming to compete with the Internet, Satellite and the Telco's who are all competing for subscribers. It is long overdue for the cable industry to pay its fair share for network and local station programming. With the NAB's help, the networks and stations can finally make it happen.



William O'Shaughnessy, President, Whitney Radio's WVOX and WRTN Westchester, NY:
David Rehr is one smart fellow. Our new NAB leader, in just the few brief conversations we've had, strikes me as focused, dynamic and very able. David Rehr is, in every telling and account, a brilliant tactician and lobbyist. But this will be about more than counting votes on the Hill. He must take a leadership role in bucking up and inspiring our own dispirited and confused tribe struggling to remain relevant in this high tech, speeded-up day and age.

Congress is moving to crack down on broadcast "indecency" with scant regard for the robust tradition of free speech that lies at the core of American values. With the retirement of **Jack Valenti**, there is no commanding presence among media association executives in support of Freedom of Speech. A good start was the launch of National Freedom of Speech Week, begun under **Eddie Fritts**' watch with the encouragement and prodding of then-chairman **Phil Lombardo**. This commemorative event holds the promise of becoming this country's most widely observed celebration of Freedom of Speech. It is about everything we are. And where David Rehr can do some of his best work.

He's also got to settle all the old feuds ... among the networks, independents, group operators and between television and radio.

The proliferation of unlicensed "pirates", now concentrated mainly in urban areas, but soon to spread, if unchecked, to communities all across the land, is another problem which should rank high on the NAB agenda.

Mr. Rehr's political prowess and lobbying powers can also be put to good use by jump-starting the passage of H.R. 998, which will hold satellite companies to their mandate as a national radio service and head off their breathtaking end runs around regulatory authorities and the congress which have been conducted with stealth, lack of candor —and outright dishonesty.

It is also time for NAB to join (or lead) the fight for a reasonable Federal Shield Law allowing reporters to protect confidential sources and give bona fide journalists some kind of federal protections against prosecutorial fishing expeditions.

One also hopes our new president will finally shake up the long entrenched fiefdoms at NAB run by those corporate "archdukes" who remain focused on a self-serving strategy, minutiae and tactics. One way to accomplish this sea change in thinking and attitude would be via a long-overdue public affairs initiative and to re-constitute the NAB department by that name.

We also need Mr. Rehr to help clear the way for some further Consolidation via the elimination of rules that prevent newspapers, radio and television cross-ownership in the same A.D.I.

By Dave Seyler/dseyler@rbr.com

New captain on deck at the NAB

Radio & Television Business Report Managing Editor **Dave Seyler** sat down with National Association of Broadcasters President/CEO **David K. Rehr** early in March. After briefly discussing children, Dr. Seuss and the truth of the story "Too Many Daves" in "The Sneetches and Other Stories," we moved on to the state of the broadcasting industry as he found it after three months on the job.

You obviously had a winning job interview with the NAB board members so I was wondering if you could do a summary of what you told them for the people that weren't there.
It was a very competitive process...I think there probably wasn't one thing that swayed them in my direction other than I like to be very value driven meaning that everything we do has to provide value to our members since they pay dues for it. I want to run a very efficient but effective ship meaning that we're getting the biggest bang for each dollar that I spend on behalf of the members. I absolutely love politics and Washington and I have let's say many friends but having spent 25-years of my life here meeting members of Congress and staffers and coming from the beer industry where I first think well what's the difference between or what's similar between beer and broadcasting? But I think beer is probably more regulated than broadcast is and just understanding what it's like to be in an industry that is highly regulated and how you work through kind of regulation to ensure that you're in a good competitive position but yet you allow sufficient entrepreneurism and market forces to work to help you be profitable.

What translates over from your previous job?
Number one working for people who are committed to their local communities. In most local communities in America it's the GM or Owner of the affiliate, the radio station owner and the beer distributor that everybody looks to and maybe the small manufacturer although a lot of those are being displaced but everyone in the community looks to them first. So they are highly visible people in their local communities and they are especially committed to improving the quality of life cause that's where they live and work and that's where their futures are. So that's number one. Number two, got a lot of changes going on. I always say to people close your eyes and say to yourself what industry is flat to declining in revenue and has cost going up? And that was true of beer and in many cases it's true of broadcasting. So there are a lot parallels but there are a lot of differences too. I think broadcasting issues tend to be a little bit more complicated than beer issues. I think just the cut of the magnitude of broadcasting is just so much more prevalent in the culture. Two-thirds of America doesn't drink, a third of America does but almost everybody in America watches TV and listens to a radio.

I guess both industries require depending from time to time again well-meaning people?
That's right and deciding that you're going to shape your future rather than having other people shape your future.

When you first talked to the NAB Board that you were going to be making, taking active steps to reach out to the broadcasters that happen to live outside the Washington area. How is that going?
Well it's going pretty well. I've been to Philadelphia. I've been to Portsmouth. I went to Carthage, Texas..Everywhere I go I try to visit NAB members because I think, I'm one of these people that I learn the most by actually seeing and kind of touching...It's been a great experience because people really kind of cut through and they tell you what's really important. I'm going to continue to do that through my whole tenure at the NAB.

Are there any plans, any movement in the efforts to get CBS, NBC and FOX back in?
We're actually reaching out to them. You know I can't give you a time that they're going to come back in but what I've told everybody here is let's anticipate that they will be back in which I believe they eventually will but let's also ensure that we're creating value for them.

As far as TV duopoly it doesn't seem like there's a real problem with it in general except for the small markets which is where we happen to think it's most needed anyway. Any hope that you can get regulators and Congressmen to see that?
Yeah we initiated a letter to Kevin Martin on cross ownership in duopoly expressing the position of the joint Board of Directors. I've been in some of the smaller markets and I think, I've met with all the FCC Commissioners already and several of them got into the issue of duopoly with me. The point I made to them is rather than causing less diversity it actually causes more diversity because as the market, you know if you have a duopoly you still have two brand identities, you still have two businesses that you have to build and people aren't just going to make everything vanilla and just change the brand logo on the screen because that's not going to be an effective business model. They are going to look for ways to kind of maximize their reach into the local communities.

What are the biggest radio issues on the horizon right now?
The kind of non-level playing field with satellite. The fact that satellite radio wants it both ways. They tell us that they can't fall under FCC regulation because they are subscription only but yet they are using free subscriptions to promote sales and marketing and my point of

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view is you have to decide if you want to be one or the other...I think they are going to have some other issues where now they are somewhat misleading people because they are taking advertising. I mean it's a viable technology that will exist but I think over the long term they are creating a perception in people's minds that they are not fulfilling over time and I think that is a difficult business model to be successful with.

Do you have any thoughts on the Upton New caps proposal? It seemed like it sort of came out of left field.

We raised it at our board meeting and I think you're going to see us over the months ahead kind of looking at it and talking with all of the radio board members about what direction they want to move. I think this is all because of convergence I think nothing can be seen in total isolation of other things.

It's always struck us that the hardest aspect of your job is the fact that with the intramural competition betweem NAB members, sometimes the war is in the building.

The only thing different between that time and this time is the nature of competition has changed so much that I think we all have a lot more in common than we did even five [years ago] and our competitors are more external than internal. I might be wrong on that but that's kind of my perception now being into this for three months.

This will probably be the toughest question that I can think of and I don't know if there's a good answer yet. We're looking at the multicast possibility for TV when not in High-Def and then we're looking at multicast in radio which to me just seems like it's another big fragmentation of the audience. If the broadcast model is mass audience, isn't that going to pose a revenue or an economic problem?

I think over time the broadcast model will adapt to segmented markets...I said the future is going to be hard, but we're going to have to make the hard decisions...And I think the good thing is we have tremendous business people who are entrepreneurial and I think we almost have to unleash the power of the entrepreneurial side of both radio and television. They will adapt and change and do well.

Now is your chance to ask yourself a question.

I thought this would be very exciting. I mean you're basically meshed in the culture but I told people it's four hundred times more exciting than I thought it would be. Every job I've ever had in my entire life I've loved. I loved working with Capitol Hill. I loved working for small business people. I loved working with the beer wholesalers and within a 30-day period this is unbelievable because you're affecting really the future of the country and many would argue the future of the world since we're the only super power standing. You know with broadcasting messages and signals and technology. There is never a dull moment in the NAB.

SPOTBUY.TV

The salvation of the spot TV biz?

By Carl Marcucci/cmarcucci@rbr.com

Online media marketplaces are the future. We recently (February issue) wrote about the new generation of radio revenue specialists, which include dMarc/Google, Softwave and Bid4Spots. Now, on the television side, a new online buying and selling platform was introduced by MMI Affiliates at the AAAAs Media Conference in Orlando. SPOTBUY.TV is a multi-round companion system to the one-round SCATTER.TV system that has been in Beta testing, since being introduced at the AAAA conference last year. Over 500 stations, interconnects and media buyers in 150 markets have registered with the program. We spoke with **Mike Harding**, Managing Member of MMI Advertising, about the systems.

Tell us about SPOTBUY.TV and SCATTER.TV. How many buyers, stations and advertisers are currently using/beta-testing them?
We have over 500 television stations, cable operations, advertising agencies, and direct retailers registered. We currently are active in 150 out of the 210 spot television markets, and are adding more every day. We expect we'll be fully integrated into all the television markets by the time we go live with the SPOTBUY.TV service in second quarter.

How are they compatible with existing media buying systems like Marketron and Donovan?
The current, beta version of SCATTER.TV, which is live and usable by stations and buyers right now, was designed as our "baby step" into the online spot trading. The final product, SPOTBUY.TV, is a much larger application which will merge both the one-round (SCATTER.TV) buy and the multiple-round negotiated buys into one service. The buyer will choose whether to run a buy with one round or with multiple rounds. SPOTBUY.TV is designed using the AAAA/TVB e-biz schema to be fully compatible with any other traffic or agency media management software. Ours is an open platform available for all to use. Our system also integrates Ad-ID for electronic interface for those agencies and stations who support this technology. Plus, an electronic interface is included for agencies to upload, and stations to download, the video spots through our FTP protocol. This is an especially useful tool for commercials which must get on the air immediately. We expect this to be a heavily used application during the political seasons.

How do you compare and contrast your systems with existing management systems in the marketplace?
They don't compare. Current management or traffic systems don't actually "do" the deal. SPOTBUY.TV and SCATTER.TV are the online version for spot TV as Wall Street is to the stock market. Like Wall Street, we are where the deals are negotiated and made. A buyer may use other media management software to analyze their buying strategies, then transition to SPOTBUY.TV and SCATTER.TV to actually request the avails from stations in a particular market. Stations respond electronically with their offers. The buyer can accept the offers as submitted (which rarely happens) or open an online negotiation dialogue to haggle about the time period, estimated rating, number of spots, rates, etc. on each avail offered by the stations. Stations reply, and the process continues until a buy is made. It's all online. It's all quick, easy, and efficient.

SPOTBUY.TV puts the buyer in the pilot's seat, to use an airline metaphor. Everything available in a market is electronically centralized into one screen for the buyer's review. All requested data is automatic and electronic. Buyers can always drill down to a specific avail with a click. Stations can only submit what the buyer requested on the time line the buyer specifies, saving a buyer a lot of time wading through undesirable spots.

Buyers are the only ones who see all the avails submitted by all the stations. Individual station submissions and orders are seen only by each individual station.

What have buyers told you they like most?
Buyers—and their bosses—love it because of the efficiencies involved. In a recent survey of our customers, many of our buyers are handling 15 or markets at one time. Buys have to happen quickly, and they have to be right the first time. We make that happen. Plus, if a buy needs to be modified or cancelled during the run, doing so for a buyer is simply a click away. An added feature is the paper trail available to buyers for every step in the negotiation and buying process. There's no more "you said/I said." It's documented in the paper trail. Media supervisors and planners have reports available at their fingertips. These reports drill-down by client, office, and buyer, and shows the real time status of every buy pending or processed by each buyer. The negotiation dialogue is even available for supervisory review, if desired.

How can small advertisers benefit? Do the systems bring more small advertisers on board?
With our service, smaller advertisers now have available to them the efficiencies available to their bigger competitors. Unless advertisers are importing optional third-party research (which is available with SPOTBUY.TV and SCATTER.TV), there's never a charge for buyers or retailers to use our service, no matter how big or how small the advertiser.

Tell us about Lands' End. How and why do they use the system?
Lands' End brought their media buying in-house last fall and was looking for an efficient way to quickly respond to advertising opportunities in the spot television markets.

Tell us how SCATTER.TV benefits stations that have remnant inventory?
From my TV days, I always preferred getting something for open avails. Two open prime-time avails, for example, times zero (dollars) is still zero revenues. As soon as stations start calling around to offer the open inventory, buyers immediately know "fire sale!" SCATTER.TV is not an auction, and it is not a fire sale. As money is moving through a market, SCATTER.TV is a one-round system for stations to make available the last-minute, unsold inventory in a managed, systematic, and controlled process. You're not showing up on the buyer's steps with hat in hand. You're simply responding to a buyer's request with the available inventory—but you only have one-shot to get it sold so stations always want to price competitively with the marketplace. Of course, with SPOTBUY.TV, stations and buyers have multiple rounds to haggle before making the deal. But with SCATTER.TV, there's only one.

Making mobile video a mass market medium

By Brian Wieser, CFA

Mobile video in its present form is far less important than text messaging and ringtones, as SMS and music-related services remain the "killer apps" of the mobile phone. This would likely be very different if live video from popular television stations were widely available. Traditional cellular networks were never designed to serve as "broadcast" networks, where many pieces of content are distributed to everyone on the network regardless of whether or not they are watching it. Instead they were designed as one-to-one networks, which is much more efficient for transmitting cellular communications. MobiTV's service offers live programming over cellular networks today, but only delivers 15 frames per second (half the number of frames of a standard broadcast video) in order to save bandwidth.

The impact of today's infrastructure is that the quality of the video service may be affected by choppy images, latency (delays between channel changes or clip selections) or network congestion (too many users accessing the network at the same time). Consequently, mobile operators around the world are experimenting with different broadcast technologies. DVB-H (or Digital Video Broadcasting – Handheld) has become the most frequently tested mobile video technology. Qualcomm has established a competing platform called FLO (Forward Link Only) and operationalized it as MediaFLO. In December 2005, Qualcomm announced that it will work with Verizon Wireless to launch its service during 2006.

DMB (Digital Mobile Video, also referred to as DMB-S or DMB-T for satellite or terrestrial delivered variations) represents a final group of mobile video technologies based around standards originally established for digital radio services called DAB). The commercial mobile video services launched in South Korea by SK Telecom in the past year are based upon this technology.

A large number of competing platforms in any one marketplace will have real consequences because of higher upfront costs (fewer manufacturers supporting any one platform), service-switching costs (a handset made for one platform will not work on another platform) and general marketplace confusion.

Fortunately, the results of trials based around these different platforms have proven to be promising, and offer evidence that a wide range of consumers will actually want to watch a significant amount of video content on their mobile devices, although with some resistance to higher subscription fees.

Despite the promising macro-environment for mobile video over cellular telephones, we believe several factors will limit consumer interest in mobile video services in markets around the world. Image quality is a common problem with mobile video today. Additionally, in markets where live mobile video is available, consumers are offered limited content. The cost of handsets reduces the potential market of consumers able to buy these services. Finally, the subscription fee associated with providing a robust content offering constrains wide consumer appeal.

The solutions to these problems are mostly straightforward—on paper—but will involve complex business and technical issues. Service quality issues for legacy networks can almost always be improved by network upgrades or by shifting to new technology platforms. Content availability will be affected by negotiations between carriers and content packagers, regulatory constraints and bandwidth constraints. Handset prices can fall with improvements in chipsets, production, displays and batteries. Subscription fees are a common component of early-stage media business plans, but the introduction of advertising will likely drive usage and allow carriers to pursue profitable growth by reaching a broad and deep audience.

The most important issue affecting advertisers' interest in mobile video is achieving a critical mass of unduplicated reach among any subset or target audience. For example, if only 15% of American consumers accessed mobile video content on a monthly basis, and 80% of these consumers could also be reached through conventional television, brand-based mass marketers would have a difficult time realizing much benefit from this channel. However, if further analysis found that this subset included 80% of all adults between 18-24 years of age, and half of those consumers did not regularly watch conventional television, we would have a medium with more than sufficient unduplicated reach for many advertisers.

Advertisers will also need to experiment to identify optimal creative formats (wrap-around/pervasive branding, banners, rich media or branded entertainment), the optimal mix of advertising relative to core content and consumer reception to these formats need to be assessed.

With many different places to allocate budgets, it is important that a new medium like mobile video support the needs of agencies and marketers in executing their media buys. This includes the timely provision of data associated with a buy, ease of delivery and management of commercial assets, a responsive and creative sales force, alignment with campaign management goals (for example by allowing for dynamic insertion of creative content) and assurances of category exclusivity within commercial pods.

While recognizing the need for customer-specific confidentiality, advertisers will require mobile carriers to provide a count of the universe of a service's users by zip or postal code, times and dates of ad-serving actions, third party verification of delivery and reporting on trick-play behavior such as fast-forward or rewind.

The advertising product itself must maintain a high standard. From a technical perspective, it will be critical that latency and network congestion are indistinguishable from conventional broadcast or cable television.

The market for mobile video is nascent, with business models still under development and market participants unsure of its intermediate direction. However, we reiterate that the long-term future of the medium is one of the most promising types on a global basis for both carriers and advertisers as long as they work together. With a potential audience in the billions, as infrastructure is deployed to meet advertisers' needs, we believe this vast untapped market will ultimately emerge as one of the most important of the early 21st century.

Brian Wieser is VP/Director of Industry Analysis at MAGNA Global USA.

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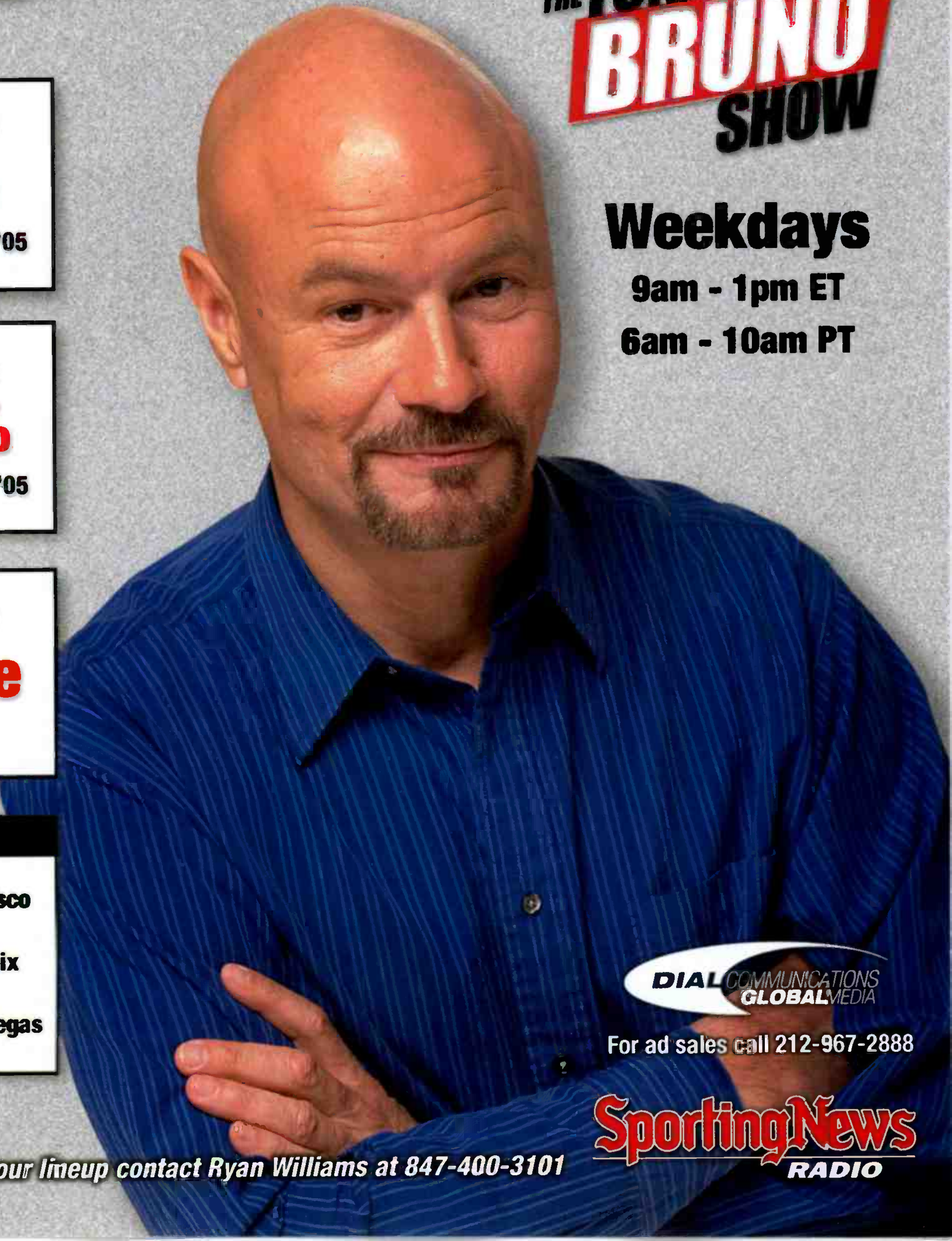

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By Jack Messmer/jmessmer@rbr.com

You never outgrow good Rock 'n' Roll

Even alongside other Alternative radio stations, KBZT-FM San Diego is unusual. It doesn't target young demos. Rather, it's aimed at the people who grew up with Alternative Rock—and still love it.

A little over three years ago Jefferson Pilot Communications had an 80s station on 94.9 mHz in San Diego. And as the 80s format fizzled out pretty much everywhere, Market Manager **Darrel Goodin** was looking for something new to do with the station. "Basically what caused us to look at this option to begin with was just really the way our market was shaping up. San Diego has a very long and historic history with Alternative; we've had Alternative radio in this town for 22 years. A lot of the product that has been brought up over the years through the format had received extensive airplay in this city from day one," he said. Many of the potential listeners, both male and female, were listening to the younger-skewing XTRA-FM "91X" from Tijuana, which was then programmed by Clear Channel, or they were listening to Active Rock or something else by default, because there wasn't a station aimed at 25-34 year olds who grew up with the previous generation of Alternative.

The trio behind the creation of KBZT is (l-r) Program Director Garett Michaels, Music Director & Assistant PD Michael Halloran and Market Manager Darrel Goodin.

Goodin met **Garett Michaels,** who was programming an 80s station in Seattle and also had an idea about developing a gold-based Alternative station, and they hooked up with **Mike Halloran**, who had been involved in programming Alternative stations in san Diego for 20 years. With their shared vision, the trio pushed ahead. Research confirmed that there was a huge appetite for Alternative in San Diego and Goodin was convinced that a gold-based Alternative could draw double-digit shares in the market.

"We can get credit for putting it together but I think most of the credit really does have to go to the listeners in San Diego because they have directed us with what they want. As the station has grown and evolved the ratio of current music has increased based upon direction from our listeners," said Michaels, who is Program Director. The third member of the trio, Halloran, is Assistant PD and Music Director.

Who is your target audience?

"I would say that the bulls-eye for this radio station, you know if you look at median age it's the 32 year old adult who happens to like Alternative music—whether that's a man or a woman—but I think if you really wanted to take a look at it from a broadcaster's perspective, I'd say the station targets people between the ages of 25 and 44 who have a passion for music," Michaels said.

From its beginning in 2002, KBZT was an almost immediate success, even though it launched with virtually no promotion. People found the station and told their friends. With its stream on the Internet, the station even has a nationwide and international following. Since radio is notorious for being a copycat industry, why haven't similar stations popped up all over the country?

"Well, based upon our success the term neo-radio was coined almost immediately because everyone needed to put a name on it. It was interesting because there was this rash of radio stations claiming to be neo-radio within months after our first good book. They sprung up in Seattle and Atlanta—there were probably a half a dozen markets where it happened very quickly, but I don't really think that anyone, pardon me if I'm wrong, but I don't think anyone else has had the success that we had," Goodin said.

In his view, KBZT succeeded in San Diego because San Diego is unique. "I will tell you Phoenix could never play the music that we play and they've got a nice station there, The Edge. People in Phoenix are just not as astute to Alternative. It's not a part of their history and heritage the way it is here. The Alternative is really a West Coast thing. It's San Diego and Seattle and probably to a slightly lesser degree LA and San Francisco are probably the four cities that have always had Alternative," Goodin noted.

Because KBZT and its DJs are so into the music, musicians are into the station as well.

"Pearl Jam was playing up in Orange County and they were touring with Clear Channel Entertainment and they were going to be playing here in San Diego two nights later and we were boxed out of the show because we were pretty new and the Clear Channel stations had it all wrapped up," Goodin recalled. "Eddie Vetter, who has known Halloran for years, 'cause Eddie is from San Diego, got in touch with us and one thing led to another and we ended up being able to broadcast the Orange County concert, beginning to end, live and uninterrupted and Eddie Vetter walked out on the stage and said to the audience that it was being re-broadcast and that they should support use because we were the only true independent radio station left in America."

Corporate radio this ain't, but yet there is a corporation.

"From day one, we came out on the air and said we're owned by a big insurance company in North Carolina and then that became a running joke," Goodin explained. "We had promos that say you know, yes we're run by a bunch of insurance actuaries of North Carolina and they have no idea what we're doing here. Another one said have you ever heard someone from North Carolina say Depeche Mode?"

"Initially we knew that there might be an opportunity for somebody to take a shot at us because we're owned by a big insurance company, but we felt that it was important never to mislead our listeners," Michaels said. "We never claimed to be this little small mom and pop radio station owned by one guy. We admitted from the very beginning and continue to remind people that we are owned by a big giant insurance company that just so happens to let us do what we want."

MANCOW

Mancow Fall Ratings Show Massive Growth

Since the launch of *Mancow's Morning Madhouse* last year into national syndication, stations nationwide are ecstatic about the recent ratings coming in on "The Cow."

Erich "Mancow" Muller still reigns supreme on **Emmis' WKQX, Chicago,** where he ranked #1 in Cume Audience for 18/34 males, and jumped his audience size yet again going **from a 7.4 Share to a 10.1 Share in AQH Men 18/34,** ***beating out Howard Stern's final book in Chicago by more than a 2 to 1*** margin. Mancow also holds an impressive 6.0 **Share** in Men 18/49. Mancow not only cleaned up in Cume, but AQH as well in the country's third largest radio market.

On **KCXM-FM, Kansas City,** Mancow jumped the former "Planet" **from 15th place to an astronomical 3rd place** ***after just one book*** in Fall '05. Mancow's ratings catapulted 259% with Men 18/34, going from a 1.7 Share to an **amazing 6.1 Share.** In Men 18/49, Cow **increased an astounding 308%** from a 1.3 to a 5.3. KCXM FM also increased its AQH an equally impressive 333% in Men 25/54, (1.2 to a 5.2 Share-rarely seen in a debut book).

Erich "Mancow" Muller

Ted Edwards, Operations Manager, KCXM-FM calls *Mancow's Morning Madhouse* "A machine gun of top of mind contemporary entertainment and topics with daily guests any national television talk show would envy. The show moves at the speed of sound - the Cow is so freaking now!"

Against a heritage morning show in **Norfolk, Sinclairs' WROX- FM saw a massive 311% gain in Men 25/54,** jumping from an 0.9 to a 3.7 Share, Men 18/34 went from a 7.2 Share to an **even more amazing 9.0 Share,** and in Men 18/49 Mancow took his show from a 3.7 to a 5.7 Share.

In **Los Angeles Clear Channel XTRA's Program Director Don Martin** says, "Mancow is the Superstar we were always looking for; he sets our station a part from the rest!"

In Des Moines, on Saga's active rocker KAZR-FM, Mancow ranked #1 in morning drive in the sought after male 18/34 demo, with an **amazing 14.7 Share (14.0 in Cume Rating).** In the male 18/49 demo **Mancow is also #1 with a massive 10.0 Share (10.7 in Cume Rating),** and in the male 25/54 demo, Mancow brought in a 8.2 Share (9.1 in Cume Rating). **Bill Wells KAZR-FM's Vice President** is ecstatic with these results saying, "Mancow had another great book! He continues to be #1 in morning drive for Persons 18/34 and by a wide margin. **That means money in the bank for KAZR-FM."**

In Joplin, MO, Chris Stevens from **Rock Station KJML** says, "What can I say about the addition of Mancow in the morning on KJML except that it's just the flippin' greatest morning show on the planet!"

In Salt Lake City, Alan Hague, Vice President of Programming of newly launched **Simmons Talker KFMS-FM,** says, "Mancow immediately brought us 18/34 Men numbers. He knows how to captivate an audience. *Mancow's Morning Madhouse* is extremely engaging radio." Mancow's morning drive Cume **jumped 133% in Men 12+; 78% in Persons 12+** in **Salt Lake City.**

In Little Rock, Operations Manager Charlie Kendall was equally excited about Mancow's launch on his **FM Rocker KKZR FM,** saying "Mancow does more in thirty minutes on his show than most morning shows do in a week!" **Mancow is up with Men 18/34 with a 5.1 in Cume Rating,** Mancow is also **up with Men 18/49 with a 4.4 in Cume Rating.**

In Marion, IL, Program Director Matt Mellen of WTAO, expresses his complete satisfaction with *Mancow's Morning Madhouse* saying, "We brought on Cow in November and can already see an increase in **both Cume and TSL.** What more could we possibly ask for?"

Meanwhile, in Knoxville, **Alternative Rocker WNFZ,** continues to dominate with Mancow, **pulling a massive 9.9 Share** (10.7 in Cume Rating) in the all important Male 18/34 demo, and a 7.3 **Share with Males 18/49** (8.6 in Cume Rating).

In Medford, on Clear Channel Rocker KZZE, *Mancow's Morning Madhouse* surged **from 3rd place (with an 11.8 Share) to 1st place with a rocking 26.7 Share** in the Men 18/34 demo. Also, Men 18/49 **doubled from a 6.9 Share to a 12.7 Share, ranking Mancow 3rd** in that demo. **KZZE Program Director Rob King** says "BING! BAM! BOOM! POW!! It's like 20 morning shows all wrapped up into one."

In Wausau, WMZK's Steve Resnick said, "Mancow is the most addictive, entertaining morning show out there. Our audience took to it instantly – He pleases our old listeners, brought over new listeners and reminded us all why we listen to radio."

Mancow's Morning Madhouse has recently added **KSTN Stockton** where **General Manager Robert LaRue** is clearly thrilled with **Mancow's** performance saying, "We have only been airing the show for two weeks and the response has been great – it blows the socks off any other morning show."

Likewise, in **Springfield, Eric Simon, Program Director** for new affiliate station **KZRQ** says, "In less than four months we have really seen a big buzz on the streets with Mancow and it seems that every where I turn I'm hearing people spout out Chuck Norris Facts and other Mancow-isms. **This Spring will surely be huge."**

In Champaign, IL, Program Director John Mayotte of WEBX praises Mancow's "Winning" show saying, "Mancow has constantly been at the top of the Champaign – Urbana market with 18/34 year olds. **The show finished #1 with 18/34 year old males and finished in the top three with 25/54 year old males** in both the Spring and Fall Arbitron books for 2005. *Not only that* but the service from both TRN and *Mancow's Morning Madhouse* has been top notch - If you want to win with males in your market then *Mancow's Morning Madhouse* is the answer."

Airing on over two dozen FM stations nationwide, **Mancow** is leading the trend for a unique new brand of FM Talk programming. "***Mancow's Morning Madhouse*** has become the ultimate hybrid innovation of fast-paced, sidesplitting entertainment and opinion/news," said **Mark Masters CEO of TRN-FM.** "Combine that with today's top newsmakers and celebrities added heavily into the mix, and you have a show that spans a spectrum that reaches beyond anything heard on FM talkers today," he added.

Mancow's Morning Madhouse airs on **Emmis' Q101 in Chicago, IL; Clear Channel's XTRA, Los Angeles, CA; WROX FM, Norfolk, VA; KAZR FM, Des Moines, IA; WWCT FM, Peoria, IL; and KWKJ FM, Warrensburg, MO.** Mancow recently added: **KRZR, Fresno, CA; KKZR, Little Rock, AR; KQXR, Boise, ID; KCXM, Kansas City, MO; WMZK, Wausau, WI; KFMS, Salt Lake City, UT; WTAO, Marion, IL; KZZE, Medford, OR; KJML, Joplin, MO; WWRK, Florence, SC; KZRQ, Springfield, MO; WEBX, Champaign, IL; KJLL, Tucson, AZ;** and **KSTN, Stockton, CA. For more information contact TRN-FM at 866-876-5077.**

One on One

By Carl Marcucci/cmarcucci@rbr.com

Jerry Lee, WBEB-FM President

Legendary WBEB-FM (B-101) Philadelphia owner **Jerry Lee** is being honored this month with the 2006 **Hugh Malcolm Beville Jr**. Award at the Broadcast Education Association (BEA) welcome reception at NAB2006 Las Vegas. The award from NAB and BEA is presented annually to recognize the memory and life's work of Beville, a broadcast research pioneer. Lee, currently a director of NAB, RAB, The Broadcasters' Foundation, The Advertising Research Foundation, and a member of the National Board of Education Sciences, has long been known as one of broadcasting's leading proponents of quality research. He should know—he probably spends more on it than most stations.

Until just recently, B-101 founder and 51% owner was **Dave Kurtz**. Kurtz brought Lee in as sales manager two weeks before the station went on the air in 1963. But because he couldn't afford to pay Lee his full salary, he gave him 10% interest in the station, which later became 49.99%. After Kurtz passed away in November of last year, Jerry is set to become the sole owner of the AC station via a buyout. B101 will remain the only privately owned FM station in a Top 10 market.

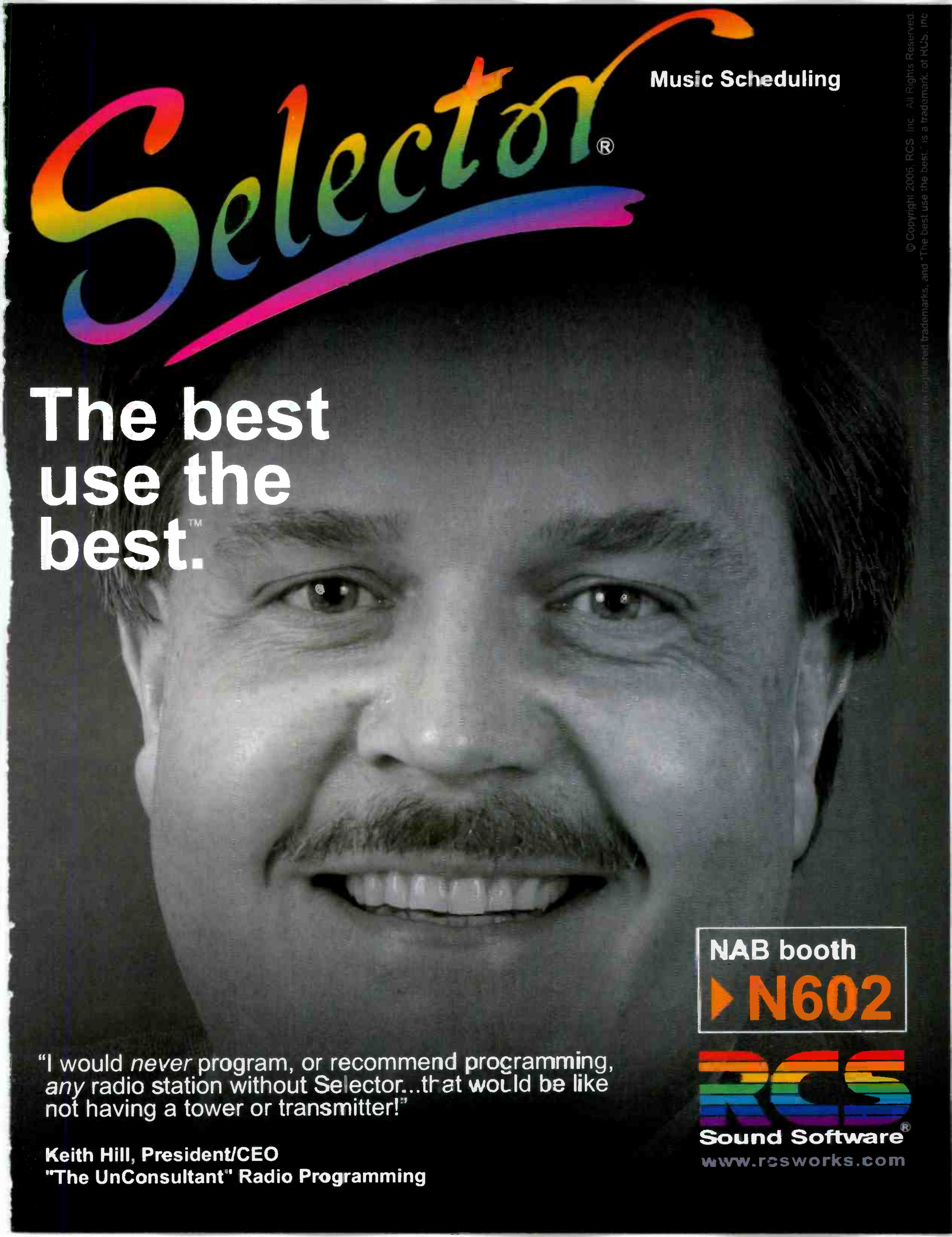
Here we ask Jerry a bit about the industry and some of his secrets to success, including being a very lucky man.

Your Aston-Martin—what movies was it from and how did you come to buy it?

It was used in Goldfinger mainly and a little bit in Thunderball. It's the one with the oil slick, ejection seat, machine guns and bulletproof screen. How I came to buy the car is in 1966 my radio station WDVR (now WBEB) received the award from the Hamburg Philharmonic Orchestra as being the best music station in the world. On my way to Hamburg, Decca Records asked if I would stop by their recording studios in London, so I did. I heard **Stanley Black** and his hundred-piece orchestra doing James Bond themes. In those days they had 20-foot high playback speakers in the recording studios, hard to believe. When they would playback the cuts from the Bond films it actually went into my veins. Then in September of 1969 in the front page of *The Philadelphia Enquirer*, there was a story about the James Bond car being up for sale and it was owned by a restaurateur in London. I had my assistant making calls all over London trying to track this guy down with no success. Then I had the idea to call Aston Martin, ask to speak to the Managing Director and tell him I was trying to buy the James Bond car. He said, "You don't want to call him. He has a publicity version of the car. The original car is right here at the factory." (They produced two additional cars for publicity after the movie.) I said, "Great, I'll buy it from you." He said it's not for sale. I have incredible luck—he asked where I was calling from. I said Philadelphia. He said are you aware that the factory owned distributorship for the US is at a suburb of Philadelphia called King of Prussia? I said, "What's the guy's name who runs it?" He said **Rex Woodgate**. At 9:00am I'm out at Aston Martin waiting for him to open up his showroom. I introduced myself and said, "I own a radio station—wouldn't it be great to have the Bond car in America, wouldn't it be great for sales?" He said, "Jolly good idea."

He [later] said since word has gotten out that they were selling the car he had received four offers. The lowest was in excess of three times what they agreed to sell me the car for. As English gentlemen they honored the deal.

There were two cars used in the film. Mine, which was all automated, and another where all the devices were fake—they used pulleys to operate everything. Each car was used in about 50% of the movie. Then, where my luck comes in again, seven years ago the other car was stolen and it will never be seen again. At that time the insurance company paid out $3.2 million. Now in January one of the two publicity cars was sold at auction in Phoenix for $2.1 million.



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Any recommendations for the new RAB President?

I think **Gary Fries** has done a good job and has been one of the best leaders of the RAB in its history. I think the way to really make the RAB effective and drive the industry is for the new president to throw down the gauntlet and say, "We're going to go from 8% of the pie of advertising to 10% and we're going to do whatever it takes to make it happen."

For example, we have the findings of the Radio Advertising Effectiveness Lab (RAEL) and we need to really sort of up the ante on that. We have so much good research that's come out and in the pipeline, we've got to find a way to effectively take this research and turn it into dollars.

I am very happy with RAEL. We have a researcher from every major advertising conglomerate on our committee and I'm the head of the research committee. We have a team there that is producing great research and every idea that I have is going into the mix. So I'm a happy camper. We'll probably have three to four more projects released next year starting in May and then another early the following year. No other industry is doing this—television, magazines, newspapers—nobody else is doing what we're doing in radio.

Tell us about your radio history.

I came from a rather modest family. I couldn't afford to go to college so I had to join the Korean War in order to get the GI Bill. But when I found out that the GI Bill really wasn't enough to comfortably go through college I had to figure out a way to earn some additional money. It was 1956 when they were just starting the record hops for Rock 'n Roll stations. I had a roommate from the South by the name of **Hank Terrell** and I said, "Hank why don't I bill you as a famous Southern Disc Jockey coming to Youngstown, OH?" I put up signs all over Youngstown and instantly this guy became more successful then the number one rock jock in the market. It was purely made up out of nowhere. So I ran one dance, found it was successful; ran another one and then had a whole chain of dances. And one young kid that worked for me, **Ted Niarhos**, was fired from a station in Youngstown. I hired him to run one dance a week for me at age 15. Later, I sold off my dances at the last year of college and decided I was going to go respectable. I worked at a management consulting firm for a year and a half. After being involved in show biz, I was just bored to death with this job.

Here's where my luck comes in. I have a meeting with a potential client at 1 o'clock in the afternoon. We go in this Greek restaurant and who is standing there but Ted Niarhos. He had just created, I believe, the first turnkey programming service in the history of radio. On the spot he offers me a job of selling it. I accepted and quit my job the next day. I'm traveling the east coast for nine weeks trying to make sales. I could not make a single sale and he fired me.

But what happened is that five people offered me jobs running their FM stations because they knew they could get the programming service for nothing because they knew it was in my head. So a guy by the name of **Sam Booth** out of Chambersburg, PA hired

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me to run WAQE, which is today WLYF-FM in Baltimore. My first day on the job I called my secretary and said, "You're not going to believe this I have never worked a day on the staff of a radio station and I'm now the boss. Here's the routine—every time you see me talking to an employee you're to run up alongside and listen in. I'll tell the employee I'll get right back to you and then you'll tell me what to do." We did that for a year and a half and that's how I learned the radio business.

Then six months later, a year and a half into the job, I see that another person I had tried to sell the programming service to just got his license—**Dave Kurtz**, an engineer at the Philco Corp. in Philadelphia. I called him and persuaded him to have lunch with me. By 10 o'clock that night we had signed a three year contract on the back of napkin. It stipulated he could fire me after the first 12 months if we weren't the #1 FM in Philadelphia. We became #1 in four and a half months.

How do you interact so well with local advertisers?

Actually I don't, my GM **Blaise Howard** who runs the station, does. My role is the idea guy. Then I have this incredible staff under Blaise that makes it happen. One of the things that's a religion with us is that we make moving product the #1 goal. To us it's more important that we move product for advertisers than make money because we know if we move product we will make money. For example one of our latest initiatives, which is going to be a killer, is we have developed our own radio testing lab on the Internet. We now offer free commercial testing to all the major advertisers in the marketplace. We have a panel on the web. We'll get a minimum of 800 people testing a single commercial for us. We did some research and found that if people like a pod of commercials they think the commercials go very fast. If they don't like the commercials they go on forever. So this is a twofer here. We have more results for our advertisers and our audience thinks we're a better radio station.

You are regularly #1 in ratings. How do you do it?

I'll just give you a couple little things. One, we do a monthly check-up of 700 people, 25-54 years of age, random in the marketplace. We're checking out or vital signs to make sure that we're still satisfying our core audience. The other thing is I spend more money on research and marketing than anybody in the market, period.

Tell us about the Jerry Lee Center of Criminology.

The Mission is to address the root causes of crime by using research to find the answer. We're just trying to build the whole field of criminology. I'm also working with the Coalition For Evidence-Based Policy in Washington. I'm the founding funder of this organization, to persuade the Federal Government to use rigorous evidence as the basis for spending our tax dollars. Right now we are working very closely with the Office of Management and Budget help the Federal Agencies to make the right decisions on where they spend their money.

Well, that's a Herculean task.

My philosophy is I only take on projects that people say are impossible. That's what turns me on. Tell me it can't be done. It's wonderful that our mascot is the Bumble Bee because according to aerodynamics the bumblebee cannot fly. The bumblebee doesn't know that so it flies anyhow.

Give us five points of business advice to today's operators.

The first, the top of Hit Parade, is if group operators present a three, four or five year plan to Wall Street, they will buy it. There has been a study that shows Wall Street will buy long-term plans because they want to believe their stock is going to go up in the future. When people say they have to cater to the next quarter it's because they don't have a long-term plan. Wall Street will buy a long-term plan. Second, don't price for share. Third, radio in most markets is dramatically under-priced. In Philadelphia I did a calculation two years ago and found we could double the rates here and still be a good advertising buy. Fourth, sell to the heart of your demo and price will take care of itself. It's when you sell beyond your demo to try to get on buys that price becomes the issue—you have to lower the price. The last thing is most groups control a demographic in their market. For example, in Philadelphia CBS Radio controls the Men, Clear Channel controls, along with B101, the Women. Either one of those groups are in a position to dictate, within reason, the pricing in the market, in their demo. You see agencies and advertisers buy a demo and they'll pay a price, whatever it is, to get that demo. You can have one demo being priced 50% higher than another. Right now, because of consolidation, the groups have the ability to do that, but they're not. It's a tremendous, tremendous marketing opportunity.

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The challenge of centralizing broadcast business data

by Jay Batista, VCI Director of Sales and Marketing

As Television ownership becomes more consolidated, the companies that run broadcast operations are faced with a greater need for integration and management of their business data.

As Television ownership becomes more consolidated, the companies that run broadcast operations are faced with a greater need for centralization and management of their business data. The first step in establishing a solid and trusted measurement tool is to understand the capacity and resource requirements to address this increasingly important business need and build a more profitable organization through centralcasting.

Background

Until recently, most regular television operations were single or dual channel operations in a single facility. With new ownership rules, drops in the cost of bandwidth and pressure to increase efficiencies, many began to look at consolidation (also called centralcasting, clustering, and hubbing) to gain economies of scale and improve bottom lines. The first company to consolidate both its back office and master control operations was the Ackerly (now Clear Channel) hub in Syracuse, NY. Since then, many others have consolidated their business operations. Consolidation has ranged from remote access to a central datacenter to single traffic and billing operations for multiple channels scattered across thousands of miles.

User requirements

Traffic and billing are mission critical business solutions where production users are looking for real time response to data entry and operational reporting. A key facet of the application is management of inventory and revenue. The commercial break structure of a channel's program lineup dictates its revenue capabilities. Airtime inventory is the most perishable of items, as inventory not sold cannot be recovered. Most channels manage their inventory over a rolling 12 month period looking forward and need the ability to look back over past years for comparisons. Traffic and billing systems need the ability to process all ordered business against this inventory and be able to reflect its status on demand. Even unsold inventory carries a transaction cost and must be filled with some material: promotions, PSAs, IDs, etc.

For analysis, the requirement is for drill-down details across channels down to individual spots. Analytical requirements cross many dimensions covering both inventory and buyer attributes across a range of dates and channels. For other industries, this analytical requirement is solved by moving the production data into a separate data mart or data warehouse system. This requires the purchase of additional software to ETL (Extract, Translate and Load) the data from one or more production databases into a customized single database where analysis can be done, typically using specialized software. Most broadcast operations simply cannot justify the time and cost to set up and then maintain such an environment. Their preference is for a single database environment to meet production and analytical needs while providing performance and scalability.

Because of the real time response requirement and the volume of data, users need to assess the impact on performance that additional channels will have. The question is often asked, "Is there a metric which can accurately predict what load a channel will have to the system? And what is the upper limit of a single database system?"

Measuring volume and load

VCI has determined that the average number of 30 second units of capacity per year of a channel is an accurate predictor of volume and load.

The larger the inventory, the more users and the higher number of spot transactions. Using data from a sampling of channels reveals: Traditional US network affiliate station 125,600 units/year. Canadian channel (station or cable) 221,000 units/year. US cable network 274,000 units/year.

VCI reviewed sites with differing numbers of channels in their databases and compared user counts, hardware configurations and system performance. The analysis revealed that consolidated sites, comprised primarily of affiliates turned out to have smaller numbers of users per channel and smaller hardware configurations (number of cpu's, speed of cpu's, and database size) than sites running channels with a higher number of units per year.

Saving Money and Building More Profits

There are advantages to getting a clear view of the product pipeline, but this is only a small portion of what makes centralcasting important.

Gaining business intelligence into the entire organization allows a better view of what is working and what is not. Management can delve into their entire business, make better informed decisions regarding growth, better predict revenues and build a more profitable organization.

From a logistics point of view, hubbing dramatically cuts staff and IT resources. Where separate staff and servers would be required at each station not hubbed, a centralized environment requires only one office and set of resources.

Broadcasters can also build a uniform operation. Reports, invoices, requests and updates are developed in a single uniform manner. As changes happen and new stations added, business systems being hubbed always remain the same.

Is there a limit to hub growth?

Two of North America's largest hubbing operations, LIN TV and CHUM, include 12 and 31 stations in a single database respectively. Both are VCI customers and continue to easily add new stations to their hub.

While many competing traffic systems have not built expandability into their software, VCI's STARS II+ was designed for hubbing. For VCI customers, hubbed networks are not limited by software, information or size of organization; they are only limited by server processing power.

Organizations can have thousands of ports and concurrent sessions happening on a single server, and VCI's software can support all those activities. Limitations in availability and speed degradation are only introduced when hardware does not keep pace with data used on a server.

Canadian broadcaster CHUM has centralized business operations and today the organization runs all traffic and accounting activities for each station through the company's Toronto office using VCI. CHUM recently brought 11 new stations onto the VCI server in less than 4 months, without additional administrative or installation staff and IT costs. This makes the CHUM operation North America's largest centralcasting operation.

A centralcasting operation encompassing all of an organization's traffic, sales and accounting data is one of the best ways to build a profitable business. From simple logistical improvements and cutting of IT costs to gaining a deeper understanding of financial health and business intelligence to show how to run the organization more profitably, hubbing is an obvious necessity for a market that continues to consolidate.

"We have long suspected that all the national media interest in satellite radio did not reflect what was going on with the American consumer."

--Ed Seeger, President & CEO, American Media Services

So late last year, we decided to ask consumers, despite all the hype, how much attention they are really paying to satellite radio. On January 13, 2006, we launched the first AMS Radio Index, a scientifically conducted national survey of 1,008 American adults, which revealed important and fascinating information about our most important constituency, the consumer.

For one thing, we learned that 64 percent of the respondents said they were listening to radio as much as, or more than, they were five years ago. While ratings for the former Big Three television networks and circulation figures for daily newspapers continue slipping, commercial radio is demonstrating, yet again, that despite the ongoing changes we are seeing in the world of technology, our medium continues to be relevant to the 21st Century consumer.

The initial AMS Radio Index generated so much interest that we have decided to commission at least two national surveys a year. The results of our second index will be available soon on our newly redesigned website (www.americanmediaservices.com), and we invite you to visit. In addition, our new website has a "blog," which we are calling "Industry Viewpoints," and we hope this will be the beginning of provocative and timely discussions about radio's future.

At AMS, we continue to be bullish about radio, and we want to get the word out. We invite you to join us.

See you in Vegas.

American Media Services, LLC

American Media Services would welcome the opportunity to talk with you about your developmental engineering or brokerage needs during your visit to the NAB Convention in Las Vegas. Call us at 843-972-2200 to arrange an appointment.

By Jack Messmer/jmessmer@rbr.com

RBR/TVBR Roundtable: Looking at the 2006 broadcast finance marketplace - Part II

Last month our panelists talked about the increased number of lenders looking to write loans to radio and TV station owners and buyers. And they said that the downturn in Wall Street stock values for broadcasters isn't deterring that enthusiasm from the financing side. Here's more from the panel of experienced broadcast lenders assembled by RBR/TVBR: **Dave Meier** of Wells Fargo Foothill, **Steve Healey** of CapitalSource Finance LLC and **Robert Malone** of GE Commercial Finance, Global Media & Communications,. They were questioned by RBR/TVBR's **Jack Messmer** and **Mark Fratrik** of BIA Financial Network.

MESSMER: Can we talk about TV for a little bit? We went for a couple of years with very little M&A in TV and now recently we've had a couple of fairly large deals. Are we really seeing a pick-up in the TV market or were those just one time deals and everything is still kind of moribund?

HEALEY: Well I guess it's up to each one of us to say what we're seeing and what's our deal flow like. I would say I'm definitely seeing more in TV this year, Jack, than I've seen in the last year or two. We hope that continues. What does it mean for the next couple of years? You know, I couldn't tell you. Like radio there are certainly some strong fundamentals in TV, maybe a couple of other issues to be wary of, but we're a player in the business and we like television.

MALONE: I would say obviously compared to the past year and a half, two years, I think the activity on the TV side will increase and you'll see some more assets coming to market.

MESSMER: And what are the reasons driving that?

MALONE: Primarily the strong fundamentals in the TV industry and groups out there looking for additional assets or add-ons to round out their portfolio.

MEIER: Our team, by the nature of our size book, is we tend to see very special situations, kind of niche operations that often times, you know I mentioned not wanting to do single radio stations but we will get a number of single television opportunities and those opportunities tend to be situations where the station operators greatly benefited from must-carry over time. Maybe their performance hasn't necessarily correlated with their value increase, so they are sitting on a substantial amount of value and not necessarily a lot of debt. So the opportunities we see tend to be for digital build-out and looking at other independent acquisition opportunities. We're a little bit below I would say the radar screen of the big TV environment.

FRATRIK: I want to follow-up about that Dave with special circumstances and whether you have been active or interested in low power television station opportunities and whether or not you see a potential for that?

MEIER: I think that we have look, over the years we have looked at a lot of different situations. I think that the FCC rules and regulations have changed over the last couple of years on low power and I think, again, we're not, because we're senior lenders, we're not equity investors, we're looking at situations that have some established amount of revenue and cash flow. Obviously the FCC License has to be secure and not under challenge or not subject to modification in some negative fashion.

MALONE: I would echo what Dave just said. We've looked at a lot of opportunities over the years but we have not seen a lot of the low power TV opportunities at present.

HEALEY: We've seen low power deals on occasion, Mark. It's often times been in conjunction with a cost other properties that are full power properties and we'll certainly continue to look at them and entertain them be we frankly haven't seen any purely low power deals come our way.

FRATRIK: You all mentioned something about digital transition and as we get closer to February 17, 2009 I wonder whether or not you're starting to include in your assessment of these deals potential secondary, second revenue streams—whether it's Nexstar getting some retransmission consent or utilizing the digital spectrum somehow.

HEALEY: I can't recall that I've seen a significant amount of revenue related to the digital stream, and if I've seen any it's been a relatively minor amount relative to the primary revenue streams. So I would say no, it has not been a significant increase to the revenue and if it were than it would be up to us to sort of address it and reach a conclusion if we want to assume that revenue is realized in full or reduce it by some amount.

MALONE: We try to take into account all the factors that are going to influence future performance, but to date those aspects have been pretty de minimis in terms of affecting the future performance of the company. So it's as of yet it's still not a huge factor in what we've seen.

MEIER: And I would echo that in terms of immediate impact I haven't seen any, but the one thing that I have seen which is rather interesting is the situation where people are swapping maybe a digital class, a digital tier of signal with another operator to broaden their market growth. Which is, I don't know all the FCC ramifications and nuances they have. I'm sure there are a lot regulations that govern that, but it's sort of an interesting play and it may have some, you know rather than offering another stream of programming it's just broadening their potential and broadening their coverage. That could be an interesting opportunity for somebody.

FRATRIK: So is it they're leasing out some of their digital spectrum to a competitor?

MEIER: In effect. I mean there is an idea of swapping you know I swap my "B" signal for your "B" signal or something like that. And then I don't know I mean I don't know how realistic that is from a regulatory standpoint, it's not that constant it's just something that's being kicked around. But in terms of immediate impact on revenue there's no impact on revenue.

MESSMER: Looking at more of a macro picture, what in the economy are you concerned might make the market for radio and television stations suddenly contract and make the financing that's highly competitive right now become much harder to get?

MEIER: We look at individual transactions, so individually we're going to focus on the characteristic of that transaction. I think for radio, if we see a material drop in time spent listening or we start to see a contraction of radio share of the advertising dollar which would take, I think it's been although I don't know if it's changed in the last couple of years, it's generally been pretty steady. I think those are two things. Time spent listening has been declining for I don't know how long. If you start to see that really, really start to drop I think that should be a big red flag. If the advertising dollar is getting a smaller piece of the pie certainly another big red flag. On the TV side I'm not really sure. I think that again the issue is the stability of revenue and cash flow and value. You start to see things driving value down for some reason, certainly that would be a cautionary note for us.


Dave Meier


Steve Healey

MALONE: We keep track of projections for ad spending and any significant volatility or changes to the historical trends there would certainly be something to monitor pretty closely. The other thing I might say is just any kind of macro event or shock to the system that would change the abundance of capital that is currently out there today would certainly change the dynamics pretty drastically.

MEIER: And I'll add to that from a macro perspective: interest rates. All of our institutions have our own assumptions about interest rates and we built them in typically to our lending decisions but if interest rates were to spike up dramatically it certainly would impact companies that borrow a lot of money and it would impact the amount of interest they can paid, the amount of debt they could service and the amount of access to capital. It would limit the access to capital for certainly radio and TV borrowers.

FRATRIK: I want to ask about the question I asked about radio and the amount of money that you're willing to lend on a

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CHICK'S CLIQUES

deal are they in the same range for TV as it is for radio, the 50 to 60%? I think somebody said 6 clicks, 6 times possibly? Is there something different about TV lending makes it a little bit less or more?

MEIER: We use the same guidelines for radio and TV. We use the same guidelines which for us again is five times total debt to cash flow. The difference is that that TV deals that we tend to see do tend to be more developmental. They're not major market transactions. Our loan to value guidelines, while they are the same sort of 50 to 60%, we would tend to be probably a little more conservative depending on the nature of the transaction on loan to value.

MALONE: We use the same guidelines as a starting point. Again as we've said multiple times here every transaction is unique and we try to take that into account when we're looking at any radio or TV deal. In terms of TV, obviously there are larger swings in political years typically in TV operator than in a radio operator and that's something that really needs to be taken into account when you're looking at leverage levels and covenants, things of that nature.

HEALEY: We take a similar approach with TV and radio and as Robert said, we adjust for the political, Olympic and other factors that are important to consider.

Robert Malone

Mark Fratrik

FRATRIK: I was intrigued by all of you who mentioned some of the activity in television in the build out in digital facilities. Can any of you go into a little more explicit of what the typical deal is? What you look for in that? Is there a certain payback period if and in the typical broadcast transaction?

HEALEY: Well I guess in terms of the digital build-out we assume that it's either completed or will be completed for each of our borrowers because they have to. We look at it as something that needs to happen. Therefore, if it has to happen, the payback analysis frankly isn't critical but we just sort of factor that use of proceeds, if you will, into our overall analysis of the credit.

MALONE: I think Steve pretty much covered that. We have a similar approach. Something you certainly need to take into account and make sure that it's captured.

MESSMER: Whenever we do an article about financing there's a lot of interest from people who are looking to make their first acquisition—managers who are trying to go out and fulfill their life dream of actually owning their own station or stations. So, for people who are looking to do that, what do they need to do to get their ducks in a row so that they are not wasting their time and your time when they come to you looking for financing?

HEALEY: What we look for is experienced, knowledgeable investors, so I would recommend that this individual find an investor group who has experience in investing in radio and TV, has done it well, has done it over a period of time in expanding and contracting economies. That's probably number one. Number two, I think this individual needs to demonstrate a successful track record in operating radio or TV properties so the investor team is comfortable and the lenders are comfortable that this is the right foundation to enter into a leverage situation. I think those are probably the two primary basis for going forward and then number three certainly the individual business plan needs to make sense and be compelling and that's probably a good start.

MALONE: I think he hit on pretty much the highlights. I would just echo the thought-out business plan and one that the individual a lot of time and effort into analyzing the opportunity and why he or she may think it bears merit and the understanding of the specific markets in which they are going to operate and the demographic and economic characteristics of those markets is always very important—in addition to the track record and the management and their experience.

MESSMER: Is it different for you, Dave, where in a lot of cases people are not going to have any access to big equity partners to back them?

MEIER: It is a little different. I think that we are not as acutely concerned with who the investor group is. Certainly it all starts with the equity because if the management team can't pull the equity together it really is a pretty short conversation. Steve and Robert hit on all the points that we'd look at, the thing that I would add would be more detail rather than less in the business plan. Obviously not just volume for volume's sake, but more relevant analysis about the market, the transaction, the opportunity. I think we tend to find the business plans tend to be a little leaner on average then probably the other guys see. The other thing I would add—and what I think helps maybe to pull this together—is I think that in the smaller end of the market the management team often times is one person. It tends to be a little leaner and I think often times financial management is overlooked. I think operational management is clearly prized first and foremost, and then the financial management will sort of take care of itself. I think that's a mistake that first time and less sophisticated buyers often make. I think it is helpful to bring in some reasonable level of competence in the financial management side. I think that's very helpful.

MESSMER: Where do they find those people for stations and companies of that small a size?
MEIER: I think often times they may have run across in their operation, in their activity in the broadcasting industry, they may have run across financial guys that they respected or liked or both and I think that's probably going to be the best source is to find somebody who has some understanding of financial accounting and also have familiarity with broadcasting. I mean there are plenty of guys out there, you just have to look for them and then sort of identify them so when you are ready to go, you can bring them into the fold.

MESSMER: Before we wrap up, what is the sweet spot for your company? What range are you really looking at in deal making?
MALONE: Typically I would say our transactions range from approximately 15 million up to obviously several hundred million just depending on the deal.
HEALEY: In terms of transaction size, on the low-end five to 10 million dollars and on the high end up to, say, 150 million.

MESSMER: And I presume everybody gets involved in syndicates from time to time on some of the larger deals.
HEALEY: Absolutely.

MESSMER: And Dave, you actually you go way down, but then you have a parent company that can go way up so.
MEIER: Our team focuses on one to 10 million, that's where our focus is in our team's efforts. But Foothill itself, my colleagues at Foothill they typically start at 10 million and can go up as large as you indicated as the syndication market can bear. I mean 50, 80, 100 million and beyond and, of course, Wells Fargo Bank has the ability to do substantially larger transactions than that.