

# Managers' Business Report™

Radio Business Report, Inc.

15 Years

March 1998



## MBR Stats

Radio improved its revenues by more than \$1B in 1997. More good news is forecast for this year.

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# MBR Stats

## 1997 Was Radio's Best Year, 1998 Looms Even Larger

1996 was radio's best year ever—briefly. 1997 was 10% better, and that 10% translates to an improvement of well over \$1 Billion. Add to this the fact that the crystal ball gazers are seeing similar gains for 1998 and one would have to conclude that this is an extremely good time to be in the radio business.

This certainly has been reflected on Wall Street. While the market in general has been booming, radio stocks have been riding the crest of the wave. But not in January. Most radio players leveled out, although there are signs of renewed gains. Newcomer NBG Radio Networks has had a particularly encouraging debut.

Radio station consolidation is starting to move again after a lull of several months. Smaller deals are being announced while details continue to be hammered out on some of last year's blockbusters. Also contributing to the consolidation total are a number of eleventh-hour competing applicant settlements for contested FM construction permits.

New business development is one of the many factors contributing to radio's current winning streak, and is a key to maintaining it. Included in this issue is a laundry list of industries expected to increase their radio use in the year ahead. Make sure you get your share!

— Dave Seyler

### Radio Revenue Index

#### Solid December Tops Off Record Revenue Year

Radio pulled in \$13.646 Billion in 1997, eclipsing 1996's record billings by over \$1.2 Billion. The total represented a 10% gain over the previous year. Local revenue rose 9%, topping the \$10 Billion mark for the first time, while national business was up a brisk 15%.

Perhaps the best demonstration of radio's strength was the uniformity of the gains. Local revenues for all five reporting regions were within one percentage point of the national average. As for national spot, all regions were within three points of the national average. In short, radio's surge was a coast-to-coast phenomenon. December revenues reflected the year as a whole almost to the dime. An 8% gain in local, added to a 15% gain in national, produced a 10% gain over December 1996.

All indications are that 1997's reign as the best radio revenue year ever will be a short one. Most pundits are forecasting a 9% or better increase over 1997 (*RBR* 12/15/97, p. 2-3; 1/12, p. 2).

December 1997	Local	National
<b>All Markets</b>	<b>8%</b>	<b>15%</b>
East	8%	8%
Southeast	14%	12%
Midwest	7%	20%
Southwest	7%	17%
West	5%	20%

Jan-Dec 1997	Local	National
<b>All Markets</b>	<b>9%</b>	<b>15%</b>
East	9%	16%
Southeast	9%	12%
Midwest	9%	16%
Southwest	10%	18%
West	8%	16%

**Local & Nat'l Revenue**  
December 1997 All Markets **10%**

**Local & Nat'l Revenue**  
Jan-Dec 1997 All Markets **10%**

### Forward Pacing Report

#### 1998 Sales Pacing Ahead of Strong 1997

February spot business was a bit off of last year's pace, but March and April will more than make up for any shortfall, according to the latest *RBR*/Miller Kaplan forward pacing report. Demand for radio time remains high, and smart media buyers are reserving their spots early.



### Superduopoly Dimensions

#### Industry consolidation (as of February 16, 1998)

Superduopoly: 43.6%	Market	# of stns	percent
	1 to 50	705	48.8
	51 to 100	499	45.7
	101 to 150	297	38.5
	151 to 200	335	42.2
	201 to 261	291	37.6
	<b>All markets</b>	<b>2,127</b>	<b>43.6</b>

Total Industry: 67.1%	Market	# of stns	percent
	1 to 50	1,036	71.7
	51 to 100	756	69.2
	101 to 150	462	59.9
	151 to 200	521	65.7
	201 to 261	497	64.3
	<b>All markets</b>	<b>3,272</b>	<b>67.1</b>

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

### 1998 YTD Stock Performance

After 1997's huge run-up in stock prices, the market took a breather in January—although the bulls appear to have resumed their stampede in February. The radio industry's big gainer for January was 1997's worst performer, tiny Alliance Broadcasting Group. Speculators in this penny stock may be expecting a rebound. Newcomer NBG Radio Networks made a strong debut on Wall Street, seeing its stock price gain 25% in the first couple of weeks after beginning public trading for stock previously sold in a private placement.

Although not a radio station owner, SportsLine USA surged as investors flocked to the fast-growing Internet sports information company and it continued rapid growth. SportsLine USA is partly owned by CBS Corp.

Company	1/30/98 Close	YTD Gain/Loss	Pct. Gain/Loss
Ackerley	16.312	-0.625	-3.69%
Alliance Bcg.	0.437	0.187	74.80%
Am. Radio Sys.	57.437	4.125	7.74%
AMSC	7.625	0.625	8.93%
Belo Corp.	53.875	-2.250	-4.01%
Big City Radio	8.000	-0.125	-1.54%
CBS Corp.	30.000	0.563	1.91%
CD Radio	16.750	-0.187	-1.10%
Ceridian	45.312	-0.501	-1.09%
Chancellor	34.500	-2.813	-7.54%
Childrens Bcg.	3.125	-0.937	-23.07%
Clear Channel	77.187	-2.251	-2.83%
Cox Radio	38.375	-1.875	-4.66%
DG Systems	2.875	0.375	15.00%
Disney	106.875	7.875	7.95%
Emmis Bcg.	47.875	2.250	4.93%
Faircom	0.937	0.094	11.15%
Fisher	121.500	1.500	1.25%
Gaylord	31.187	-0.750	-2.35%
Granite	10.875	1.813	20.01%
Harris Corp.	47.687	1.812	3.95%
Hefel Bcg.	45.937	-0.813	-1.74%
Jacor	50.250	-2.875	-5.41%
Jeff-Pilot	81.312	3.437	4.41%
Jones Intercable	15.812	-1.626	-9.32%
Metro Networks	34.187	1.437	4.39%
NBG Radio Networks	2.500	0.500	25.00%
New York Times	65.125	-1.000	-1.51%
News Comm.	1.562	0.125	8.70%
Otter Tail Power	37.625	-0.250	-0.66%
Pacific R&E	3.250	-0.125	-3.70%
Pulitzer	59.375	-3.438	-5.47%
RealNetworks	15.000	1.125	8.11%
Saga Commun.	20.500	-0.750	-3.53%
SFX Bcg.	86.125	5.875	7.32%
Sinclair	48.000	1.375	2.95%
SportsLine USA	20.875	10.125	94.19%
TM Century	0.562	-0.063	-10.08%
Triathlon	10.125	-0.375	-3.57%
Tribune	60.750	-1.500	-2.41%
Westower	19.250	7.500	63.83%
Westwood One	34.000	-3.125	-8.42%
WinStar Comm.	32.750	7.813	31.33%

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**MBR Stats**

**Non-Traditional Revenue Track**

(% of Vendor/New Business by Category)

	June	July	Aug	Sept	Oct	Nov	Dec	1997	1996
Automotive	7.57	15.36	19.28	16.63	14.83	11.88	13.92	12.96	13.07
Food/Grocery	35.75	34.82	32.31	34.60	34.64	30.07	19.32	33.30	26.40
Leisure/Elect.	27.00	16.07	17.68	23.63	26.63	17.02	24.83	21.44	26.82
H&BC	7.31	7.72	12.35	8.93	8.99	13.42	7.81	8.61	9.03
Home Imp.	9.05	8.36	4.90	8.51	4.84	8.06	9.04	7.17	11.86
Office	12.72	14.00	11.77	4.67	5.76	14.17	19.44	12.35	8.56
Clothing	.60	3.67	1.71	3.03	4.31	5.38	5.64	4.26	4.26

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

**Pharmaceuticals, Food/Grocery, Automotive Lead '97 NTR**

Non-traditional revenue keeps growing for radio stations. Last year, Pharmaceuticals (H&BC), Food/Grocery, and Automotive categories provided the biggest boost.

The most lucrative months for non-traditional revenue were November, which contributed 12% of the year's total revenues, followed by May (11%), July (11%), June (11%) and March (9%).

Growth in 1998 will come from the same categories that stimulated 1997 growth (see list, right). Even the automotive category will present new opportunities. "So many automakers making similar vehicles need promotions and events to differentiate themselves," said Kathryn Maguire, president, RDS.

**Hot categories for 1998**

- Pharmaceuticals
- Computers & Internet-related products
- Electronics
- Energy
- Telecommunications
- Recruitment

**Format Stats**

**Format Shares Hold Steady, Classic Rock Leads Gainers**

Fall 1997 numbers are in for format shares, and with few exceptions they are very similar to the results of Fall 1996. The top four formats remain the same, while Urban broke out of a tie with Album Rock to claim the fifth spot outright.

The biggest gainer was Classic Rock, picking up one full share point. No format lost more than 0.4 shares, but of these the biggest loser was 70s Oldies, if only because it didn't have the shares to lose in the first place. The loss dropped it all the way below "Other" to 0.2.

Source: Arbitron, P12+ Mon-Sun 6A-Mid, 94 continuously measured markets

Rank	Format	Fa96	Fa97	Chng
1	News/Talk	16.8	16.5	-0.3
2	Adult Contemporary	14.5	14.4	-0.1
3	Country	10.5	10.3	-0.2
4	CHR	8.6	8.2	-0.4
5	Urban	7.2	7.7	+0.5
6	Album Rock	7.2	6.8	-0.4
7	Spanish	6.2	6.2	—
8	Oldies	5.6	5.9	+0.3
9	Classic Rock	3.9	4.9	+1.0
10	Urban AC	3.7	4.2	+0.5
11	Modern Rock	4.1	4.1	—
12	MOR/Big Band	3.5	3.4	-0.1
13	NAC/Smooth Jazz	3.1	3.0	-0.1
14	Religious	2.1	2.2	+0.1
15	Classical	2.1	1.7	-0.4
16	Other	0.3	0.5	+0.2
17	70s Oldies	0.6	0.2	-0.4

**Web Stats**

**Webcasters by Format**

(as of February 6, 1998)

576 radio stations (517 commercial) are now putting audio on the Internet. 119 radio stations debuted on the web during January. Of these, 30 hailed from Brazil. Of the total 1,102 audio websites now in operation, almost half (535) are of US origin.

Country, with 53 webcasting stations, is the leading format as broken out by BRS Consultants. However, if you add the various permutations of News-Talk-Sports together, they total 111 and ac-

count for over 20% of all commercial webcasting activity.

RealAudio remains the streaming platform of choice with over 87% of the business. Second-place Microsoft NetShow picked up a few new clients but lost share. Streamworks held steady at about 4% of the market, while AudioActive made a bid to become the fourth streaming player, going from one to seven clients.

**Webcasters by Format**

Format	Stns	Pct.	Format	Stns	Pct.
Non-commercial	59	10.2%	Adult Altern.	21	3.6%
Country	53	9.2%	Ethnic	15	2.6%
Rock	48	8.3%	Urban	14	2.4%
News/Talk	46	8.0%	Soft AC	12	2.1%
Religion	42	7.3%	News	10	1.7%
CHR	38	6.6%	Standards	9	1.6%
Sports	30	5.2%	New AC-Jazz	8	1.4%
Alternative	27	4.7%	Classical	8	1.4%
Hot AC	26	4.5%	AC-Spanish	5	0.9%
Talk	25	4.3%	Talk-Spanish	4	0.7%
Classic Rock	25	4.3%	CHR-Spanish	3	0.5%
AC	24	4.2%	70's Oldies	1	0.2%
Oldies	22	3.8%	Easy List.	1	0.2%

Medium	No.	Pct.
Audio on the Internet		
Radio Stations	576	52.3%
International	403	36.6%
Networks	32	2.9%
Internet Only	91	8.3%
TOTAL	1,102	100.0%

Streaming Players	Stns	Pct.
RealAudio	960	87.1%
Microsoft NetShow	88	8.0%
StreamWorks	43	3.9%
AudioActive	7	0.6%
Radio Destiny	4	0.4%
Interflix	1	0.1%
GTS Audio	1	0.1%
Vosaic	1	0.1%
TOTAL	1,102	100.0%

Source: BRS Radio Consultants

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## Kennard vs. Capitol Hill in Free Air Time Battle

President Clinton used his State of the Union address to open the battle over free or reduced-cost airtime for political candidates. The President has formally requested an FCC inquiry, writing to Chair Bill Kennard (D), "The dawning of the digital age of broadcasting makes it imperative that we update broadcasters' public interest obligations. The FCC

must ensure that broadcasters, given the opportunity to benefit from their use of a valuable public resource, use this public resource to strengthen our democracy."

Support for FCC action on Capitol Hill is thin. Both Republicans and Democrats are questioning the constitutionality of such an FCC dictate. Leading the charge in favor of free time is Rep. John

Tierney (D-MA) who, in a letter to the President signed by two dozen House members, said, "We are convinced that the FCC has the authority to propose regulations in this area."

"I think that Congress is going to make it very clear to the FCC that they're not going to put up with this," says Jim May, NAB EVP/Government Relations. He predicts campaign finance reform will die at the hands of a Senate filibuster. ♦

## Friction at the FCC?



Commissioner Harold Furchtgott-Roth is sounding off on Chairman Bill Kennard's (D) list of 31 areas he'd like the FCC to look at for ways of streamlining. Furchtgott-Roth thinks the Telcom Act requires them to look at all regulations, not just 31—and a top to bottom review would make it a lot easier to thin the rule book. "We have a disagreement with how to read the statute. I wouldn't call that a rift," says Paul Misener, Furchtgott-Roth's chief of staff. The two offices are meeting to try to work something out internally. ♦

## Syndication Not A Trip Down Easy Street

With satellite distribution now so cheap, it's easy and relatively inexpensive for just about anyone to jump into radio syndication. Succeeding in this dog-eat-dog business, however, is much more difficult.

In recent weeks, First Broadcasting shut down "Rock & Roldies," a 24-hour Oldies format. The offering

was to have been the first of 10 full-time formats to be syndicated by the Dallas-based company. First Broadcasting isn't shutting down, but it hasn't yet announced what it's going to produce in its 14 brand-spanking new studios.

Also, Inphomation Communications filed for Chapter 11 reorganization in a Baltimore federal

bankruptcy court. Inphomation, which owns late night TV's Psychic Friends Network, reportedly has a dispute with MCI over payments for "900" calls to its psychics. The newly launched Psychic Friends Radio Network, produced and syndicated by NightStar Entertainment, remains on the air. NightStar President Steve Youlios says the TV company's problems don't affect the radio show and that it's continuing to grow and add affiliates. ♦

## Washington Scorecard

by Frank Saxe

	Radio Rating	Praise, Complain to:
<b>Free Political Airtime</b> - President Clinton enlisted the FCC and Chair Bill Kennard to fight his battle for free or reduced-cost airtime for politicians. Despite screams of protest by both Republicans and Democrats on Capitol Hill, the writing is on the wall—broadcasters will end up paying something for "free" digital spectrum space.		President Clinton, FCC, your local Congressional Representatives
<b>Alcohol Advertising</b> - FCC Chair Bill Kennard is apparently backing away from his call to open a review of liquor advertising, since he didn't see a rash of booze ads during the holidays. He is now backing "voluntary industry restraints."		Bill Kennard
<b>Cross Ownership</b> - Rep. Scott Klug (R-WI) has introduced a bill that would lift a 25-year old ban on newspaper-broadcast cross-ownership. A companion bill (S641) has been carried over from last session, sponsored by Sen. John McCain (R-AZ).		Klug, McCain
<b>Radio Duopoly Rules</b> - FCC Chair Bill Kennard says he has no plans to reopen radio duopoly rules, saying they'll only focus on cases where there's no competition—something DOJ's been doing for more than a year.		FCC and Bill Kennard
<b>DOJ</b> - We're never sure what DOJ's lawyers are up to. They're reviewing a lot of mergers, but they've yet to sink their teeth too far into radio consolidation. Could the CBS/ARS merger wake this sleeping lion?		DOJ's Joel Klein, Charles Biggio and Reid Horwitz
<b>FCC Budget</b> - The President's FY99 budget includes \$213M for the FCC, up \$26M over FY98. What's worrisome is the \$10M in new FCC fees, and where they'll decide to collect them from.		FCC
<b>IBOC</b> - Digital Radio Express has joined the ranks of IBOC developers, so now the National Radio Systems Cmte. will have a second product to assess before recommending an IBOC system to the FCC.		NRSC

## Settlements Flood FCC

The greatest build-out of new FM stations since the 1980s is about to hit the radio industry. This time, though, it won't be a flood of new competitors, but in many cases another signal for an in-market player. Under special provisions from last year's balanced budget bill, Congress (through Feb. 1) allowed settlement payoffs to clear out the FCC's backlog of long-pending competitive applications for new stations. Among the buyouts were Jacor paying \$20.6 million for an FM in Portland, OR and Capstar \$8.5M in Austin, TX. ♦

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# Burgers, Fries and Radio



## Fast Food Radio Spending

1997  
1996

### How the Fast Food Chains are Using Radio to Serve Up More Customers

by Frank Saxe

The battle to sell more burgers wages on in America, and radio seems to be among the beneficiaries of the burger war. McDonald's is increasing overall ad spending and doubling local promotional opportunities in 1998, according to Brad Ball, SVP/Marketing. The goal of the "Did somebody say McDonald's?" campaign is to increase revenue growth, which was flat through most of 1997. In January, McDonald's announced it would double local ad spending by evenly splitting its national and local spending 50-50. The hope is to increase sales at its 12,380 US restaurants.

McDonald's arch-rival Burger King is using radio to help launch its multi-million dollar french fry makeover. "We did radio advertising especially for it," says Burger King Director of Advertising Andy Bonaparte—explaining their two-pronged approach to build-up a buzz before the launch, then pitching customers once they were on the market.

For their new fries, TV played a leading role, since Bonaparte believes consumers must be able to see a new food product, something radio cannot offer. "I don't think you can launch a product exclusively with radio, you use radio in concert with TV."

While the restaurant chains are battling to quench consumer's appetites, radio stations are fighting over the lucrative fast food accounts. With local budgets amounting to as much as \$300K per chain, it is highly competitive for stations. "It's a lot of money so you will find a lot of stations will do anything for that money," says Cindy Webster, LSM, KMJQ-FM Houston. Webster says stations "give away the kitchen sink" by offering huge \$20K promotions for a small amount of money just to be in on the buy while others come in \$20 below the cost-per-point goal. "Why would anybody do that? It's crazy," says Webster.

Burger King research has found 60% of their business is done at the drive through window, and what other medium has a bigger advantage when a consumer is behind the wheel than radio. "People truly make their fast food decisions eight to ten minutes before they go out and purchase it," says Judy Carlough, EVP/Marketing, Radio Advertising Bureau.

"There is little planning time in the purchase decision, and radio is very immediate in that respect," agrees Lois Englehardt, media director, Brandy Carroll Hellige, a Louisville agency that buys McDonald's local spots in parts of the Midwest. So it is little wonder that fast food is one of radio's largest advertising segments.

VoiceTrak research of 132 markets shows shows fast food giant McDonald's leads the category in radio spending by a more than five to one margin over its nearest competitor, Taco Bell.



Q1-Q3, 132 markets representing 56% of US HH  
Source: VoiceTrak

### Biting Into Fast Food Budgets

There is a proliferation of stations, even in small markets, and Lois Englehardt, media director, Brandy Carroll Hellige, says she sometimes has a difficult time finding a station for her McDonald's buys. Her advice is simple, "Make sure we know you exist." She also recommends commissioning research on who your listeners are, particularly if you are trying to sell around the latest book.

Which kind of promotions work best? Anything that involves kids, families and the community. There are 160 Ronald McDonald Houses worldwide, and they are very symbolic of the community presence the company wants. "They're squeaky clean, they're family and community oriented, they're always looking for community tie-ins," says Cindy Webster, LSM, KMJQ-FM Houston. Her Urban station did a McDonald's "Stop the Violence" promotion focusing on gangs. Their reward? A \$250K annual buy.

### The Top Two's Arsenal

	Ad Budget	Annual Sales	Locations	Burgers Sold
McDonald's	\$85M	\$35.0B	22,000	100.0B
Burger King	\$40M	\$9.8B	9,400	2.3B

On page 8:

- McImage is Everything
- Radio Serves Burger King
- TV Tops for Taco Bell
- Radio Doesn't Deliver for Pizza Hut

## McImage is Everything

Part of McDonald's new brand positioning from DDB/Needham, Chicago is "leveraging the fact that people of all ages have an immediate, almost childlike reaction to the prospect of coming to McDonald's," says Mary Kay Easchbach, director of US media, McDonald's. "McDonald's is going to quit struggling with the idea of 'are we a restaurant for adults' or 'are we a restaurant for kids', we're just going to be *the* restaurant for the child in all of us. Our marketing strategy is to liberate, nurture and celebrate the child within," says Easchbach. But because McD knows it is the kids who make the choice among fast food restaurants, they spent a lot during childrens TV programming, and have been an early proponent of ABC's Radio Disney.

McDonald's spends about \$85M a year in local radio, twice its nearest competitor. While it is far less than the \$550M the Golden Arches spent in TV last year, "We truly believe in radio at McDonald-land," says Easchbach. Ad buys are made in two ways: national buys, with a budget voted on by owner/operators, and at the local level, where the bulk of dollars goes. While 95% of all radio creative comes from national, 15 seconds of every one minute spot is left open for local agencies to mention a sale price or a promotion. "Radio to us is truly a local medium, we don't do a lot of national advertising at all. There is so much that can be done with local stations—merchandising partnerships, tie-in capabilities and remotes," says Easchbach.

McDonald's annual sales boosting promotion, featuring Monopoly game pieces, will be back for its fourth year beginning March 23. The six week push will include a radio, TV and print ad budget estimated at \$20M. Last year's promotion helped same-store sales grow 8%, the chain's largest monthly increase. ♦

## Radio Serves Burger King

"With McDonald's outspending Burger King by nearly two-to-one, Bonaparte says they are forced to spend their money smarter. "Consistency of message plays a key role when you have a smaller budget than your competitor, so it gives you awareness. We primarily use radio as a local effort to fight the battles in individual markets—It's where the rubber meets the road," says Bonaparte.

Each year, Burger King places over 75 live announce scripts, 35 commercials, plus spots targeted toward African Americans and Hispanics—which have been identified as large consumers of fast food. Bonaparte says they use so many live reads to "be proactive and reactionary to local competitive battles," and unlike TV, radio can efficiently handle frequent copy changes.

"B-K buys different formats and dayparts, depending upon the campaign. It focuses on 18-to-49 year olds, but that varies to reach the targeted audience. Bonaparte says morning drive radio has been especially effective in boosting business. "Breakfast is very habitual, and as such, you can condition consumers of your offer in a very effective way." ♦

**"Your industry needs to tell agencies it's not cost per points, it's butts in seats"**

—Pizza Hut's Claude Caylor

**"Radio works for us very effectively to compete at the local level"**

—Burger King's Andy Bonaparte

## Radio Doesn't Deliver for Pizza Hut

While McDonald's, Burger King and other restaurant chains find radio works well for them, Pizza Hut has not had similar success. The nation's largest pizza chain recently cut its \$350M advertising budget by \$100M as competition in the pizza industry began to take its toll. Pizza Hut saw almost 500 stores close in the past two years, and 1996 went into the record books as its worst year ever. Nearly all the money cut came from radio, and Pizza Hut is presently using only TV.

"Everytime we do stuff in radio, it doesn't work as well as we'd like," says Claude Caylor, VP/Media Services. While Caylor says radio is his favorite medium, it simply fails to fill seats in his restaurants—the whole reason he is advertising.

Part of the chain's \$10M radio expenditures last year included a four week campaign pushing a two-for-one pizza deal, which Caylor says did not work. "We got enough of a traffic bump to know we advertised, but we didn't get enough traffic bump to continue it."

Caylor blames poor radio creative for most of radio's troubles. "I listen to radio and I hear a lot of stuff that forces me to change the channel," says Caylor, adding, "Radio can move a meal sometimes, but not as much as television."

So is radio out of the question completely? Caylor says no. Heavied up with promotions and remotes, Pizza Hut used radio for a promotional launch of its new Edge Pizza last summer. 115 stations were selected to get the whole budget for their market, and each was charged with coming up with ways to draw attention to Pizza Hut's new product by using promotions only—no commercials. Some stations did concerts featuring free pizza, others tied the product into remotes for charitable causes. A million free pizza giveaways later, the chain has seen eight months of record growth, with monthly traffic up 8% to 10%.

Caylor recommends radio stations play up their interaction with listeners, its key customers, which will give advertisers another point of contact—and make radio better at what restaurants like Pizza Hut says is priority one: sales. Says Caylor, "Your industry needs to tell agencies it's not cost per points, it's butts in seats." ♦

**"TV prime time is great, but they're probably not coming to McDonald's until breakfast or lunch the next day. So radio becomes critically important to us."**

— McDonald's Mary Kay Easchbach

## TV Tops for Taco Bell

While McDonald's and Burger King rely on heavy radio use, Taco Bell views radio as a way to supplement its TV ads. Nearly 123M people see a Taco Bell commercial once a week, about half the US population. "We do pretty strong TV use, but we also supplement that with local radio—that way we can customize it for what is happening in different areas," says Laurie Gannon, Taco Bell's public relations manager. "Radio is a great reach, actually, and we focus on drive time. Nowadays people are so busy and with satellite TV they don't always catch TV commercials."

The formats Taco Bell is most likely to buy are CHR and Rock. "We pretty much focus on core consumers, 18 to 30 year olds, so any of the trendy formats [make sense]," says Gannon.

The Irvine, CA-based company was spun off by PepsiCo in October, along with KFC and Pizza Hut, but that will have no effect on Taco Bell's \$200M annual ad budget. Gannon says that radio/TV spending plan will remain the same for 1998. ♦

### MBR Fast Facts

**8% of Americans visit McDonald's every day.**

**There are 1,024 possible ways for a customer to order Burger King's Whopper their way.**

**Taco Bell is the largest restaurant consumer of whole iceberg lettuce in the world.**

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## Coen Sees Radio Outpacing Most Other Media in '98

After being surprised by the rapid growth of 1997 advertising spending in general, and in particular by the phenomenal growth of national (network and spot) radio and a few other hot sectors, McCann-Erickson SVP/Director of Forecasting Bob Coen is predicting another strong year in 1998.

Overall, Coen expects total US ad spending for all media to grow 6.2% next year to \$198B—putting the US ad business on the verge of becoming a \$200B industry.

Coen sees national radio revenues rising 6.5%, tied with national spot TV and trailing only cable TV, which he sees gaining 13%.

Local radio is projected to grow 6.5%, tied with local TV as leading all other local media.

Don't take those numbers to the bank, though. After seeing his year-ago projections for nearly every media category come up short, Coen admits that the strong economy could fool him again. "We really do have a very good business and economic climate forecast for next year," he noted. For one thing, Coen expects ad spending as a percentage of the US gross domestic product (GDP) to hit a new record in 1998, topping the peak of 2.35% set in 1987. ♦

## S&P Analyst Forecasts 9% Gain in 1998

Even before the 1997 revenue numbers had been tallied, analysts were forecasting another strong year for the radio biz. Particularly bullish is Standard & Poor's broadcast analyst, William Donald, who is predicting a 9% gain in 1998 on top of last year's 10%. "It's on a roll for the foreseeable future," said Donald, who is also projecting an average annual gain of 9% for five years through 2000.

TV's forecast isn't as robust as radio's; TV is expected to climb 8.4% in 1998. According to Donald, total broadcast TV will continue to lose market share to cable (estimated to gain 9.2% in 1998), but benefit from a strong economy, a slight shift from promotion spending to brand advertising and the Winter Olympics. ♦

### Bob Coen's 1998 Media Forecasts

National Advertising	
Big 4 TV nets	5.5%
Spot TV	6.5%
Cable TV	13.0%
Syndicated TV	5.5%
Radio (spot & network)	6.5%
Magazines	5.5%
Newspapers	6.0%
Direct Mail	6.0%
Yellow Pages	6.5%
Other	6.3%
Total National Media	6.3%
Local Advertising	
TV	6.5%
Newspapers	6.0%
Radio	6.5%
Yellow Pages	5.5%
Other	6.1%
Total Local Media	6.1%
<b>Combined National &amp; Local Media</b>	<b>6.20%</b>

Source: McCann-Erickson Insider's Report

### Cable, Radio & TV Ad Expenditures

(in billions of dollars)

	1990	1995	E1996	E1997	E1998	E1999	E2000	Average Annual Growth Rate (%)	
								1990-1995	1995-2000
<b>Broadcast TV</b>	22.62	27.91	31.27	32.94	35.70	37.85	41.80	4.3	8.4
<b>Cable TV</b>	2.88	5.11	6.44	7.85	9.30	10.80	13.00	12.2	20.5
<b>Radio</b>	8.75	11.47	12.41	3.75	14.99	16.25	17.70	5.6	9.1
<b>Total</b>	34.25	44.49	50.12	54.54	59.99	64.90	72.50	5.4	10.2

E-Estimated by S&P

Source: Television Bureau of Advertising; Radio Advertising Bureau

## Newspapers Rebounding

Radio isn't the only medium that's posted a good year. Reporting newspaper's first increase in ad share in a decade, Miles Groves, VP/Chief Economist, Newspaper Association of America (NAA), predicted that newspapers will have another strong year in 1998, with double-digit growth forecast for both national (12%) and classified (10.2%) advertising.

Strong classified and national advertising drove newspaper revenues up 8.9% to \$29.3B Q3 YTD, according to the Newspaper Association of America (NAA). Up 7.8% in Q3, retail was up only 4.98% to \$4.6B, classifieds were up 9.53% to \$4.1B and national was up 13.28% to \$1.3B. Groves is expecting newspaper to increase its lead over the nearest competitor, broadcast TV. In 1996, 21.8% of ad dollars went to newspapers, while broadcast TV had a 20.7% share.

With such a strong showing for newspapers, Groves isn't fazed by the radio industry's targeting of newspapers' traditional clients for revenue growth. "I'm not convinced it's going to have the impact we've been reading about," he said. ♦

## Network TV to Post Slight Gains

Although network TV revenues are expected to gain only 1-2%, CBS (N:CBS) EVP/Research & Planning, David Poltrack, is predicting a rosy 9% growth. Bob Coen of McCann-Erickson is forecasting a more sober 5.5%.

The CBS analyst is predicting that four of the 9% growth points will come from the Winter Olympics. Coen earlier had discounted the Olympics as virtually a non-event for total TV revenue growth. ♦

## Outdoor

The outdoor/billboard industry has been bringing in 8% more for the last three years, and the Outdoor Advertising Association of America is expecting that trend to continue in 1998. Preliminary figures for '97 show outdoor billed \$2.2B last year. "We're anticipating our numbers will increase in 1998, unless there's an unforeseen global downturn," says OAAA spokeswoman Kippy Burns. Consolidation, like the Clear Channel merger with Eller Media should also help improve national sales figures, says Burns. ♦

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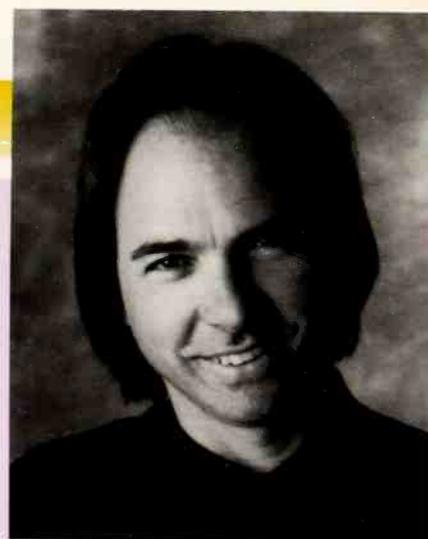


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# MBR Exclusive Interview with Jacor's Tom Owens Putting the Noise in Jacor

by Carl Marcucci



As radio's new corporate pyramids continue to be built, unique hierarchies are emerging in the design, some now including a group head of programming. Big groups like Jacor Communications are marketing a variety of products or formats and each is assigned a brand manager. Jacor's format or "brand" managers report to Tom Owens, SVP programming.

Owens jumped into radio as a DJ at age 13 and was programming for WVAF-FM Charleston, WV by 18. Programming in Cincinnati (for WSAI, FM), Dallas and Louisville, along with 8+ years operating as a consultant, his career brought him back to Cincinnati in 1984. There he became group PD for WEBN-FM and WQMF-FM Louisville. Then Jacor purchased WEBN in 1986, and the rest is history.

RBR asked Owens what it's like to be one of radio's new managers and how he runs Jacor's programming management structure.

### Positions such as yours are new to radio. How do you organize the programming management?

There are probably lots of ways to do it that haven't occurred to us yet. To date we have a program management structure that prioritizes both regional synergies as well as the effective exchange of "like-kind" format ideas. VP Regional Programmers Jack Evans and Marc Chase oversee geographically-aligned clusters of eight to twelve markets with specific format supervisions handled by national format brand managers like Gene Romano overseeing our Rock/Alternative products, BJ Harris out of WFLZ Tampa coordinating our CHR's, or Jaye Albright out of KWNR/KFMS Las Vegas directing Jacor's Country products nationally. Depending on the size of the market or the configuration of stations, we may also have local product managers overseeing either a complete marketplace, or a specific stations group.

### How do you track programming of Jacor's 188 stations?

Long hours, copious record keeping, frequent flying, cell phones, e-mail, and an over-riding philosophy of overkilling communication as a means of preempting problems. We recognize the pitfalls of additional layers of programming bureaucracy and we try to avoid confusing informational crossfires. The ultimate challenge is to reconcile our need to manage with respect for local autonomies.

### So far what is the most difficult challenge of your new position?

Aside from memorizing the calls, dial positions, and format adjustments of near-200 stations, there are a couple. First and foremost, securing superior personnel. Our volume forces us to decentralize more decision-making which in turn places increased emphasis on recruitment excellence. Second, embracing change. In a time of fundamental changes, the experts are usually in trouble.

The post-telcom collision of regulations and technology dictates that we constantly re-think previous conventions. To superimpose previous thinking on no-longer existent competitive circumstances would be foolish, but human. The bad news is that the jobs all of us used to have no longer exist. The good news is that there are newer, better jobs available, but you better be flexible and focused if you want to acquire them.

### Of Jacor's current 188 stations, what percentage carry Jacor-syndicated programming? Do you expect the percentage to grow?

Very near 100% clear Jacor syndication in some fashion. Be it long-form syndicated talk product like Rush or Laura, music-driven programming like Blair Gardner or Leeza Gibbons, or shorter-form features, prep services or programming aids like Premiere's music monitoring product Mediabase, or

(continued on page 14)

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# Programming & Positioning

(continued from page 12)

simply in the shape of units that are allocated per-station and sold nationally by Premiere.

## What research tools do you use for support in planning. Does Critical Mass Media play a role?

CMM plays a major role. The tools are music call-out, weekly audience tracking studies, AMTs, perceptuals, format spectrum evaluations, diary analysis, and certain other proprietary software, such as Variety Control for the music-driven products.

## How has the purchase of NSN created efficiencies within Jacor?

We presently have NSN terrestrial send/receive capabilities in the majority of our markets and should have the full complement on-line by this writing. This will provide us with a bi-directional communications backbone for the

distribution of back room accounting data, shorter-form programming, text, e-mail, etc. The company-wide satellite link for long form programming distribution is presently in a number of markets and will roll out to completion in the first quarter. In the meantime, we are already distributing shared programming in numerous situations. "The Mix" in Cincinnati is supplying various combinations of music, production, talent, and promotion to "Mix" products in Lima, Cleveland, Lexington, and others. WFLZ's highly successful "MJ and BJ" morning program will be utilized on KSLZ St. Louis and others. Chris Collinsworth's Sportstalk program also airs on WLAP Lexington, we have a weekend network of Home and Garden/Auto show programming throughout Ohio/Kentucky as well as a similar Idaho configuration. WFLA Tampa is used as a base network for AM's in Sarasota and Venice. By the time this goes to

print there will be dozens of other illustrations.

## Jacor owns Premiere, Radioactive (EFM) and now Multiverse. What market factors determine moving Jacor syndicated product from competitors to Jacor O&O's?

In the scope of things, there has been a minimal reallocation of these intellectual resources. Rush, which appears on well over 600 stations nationally, has been relocated in just six markets total and only one in the top 50. Much the same with Dr. Laura. The majority of our News/Talk products already enjoyed these affiliations. If we expect to continue to be successful in the syndication business we're going to have to remain sensitive to this customer concern, operating Premiere as an independent product syndicator and not purely from the vested interests of individual Jacor radio stations.

## Do you have any experimental formats on any Jacor O&O's?

I suppose every station whose rating outcome is currently unknown could be defined as experimental. We presently utilize 18 somewhat disparate formats focused on producing profitability. We prefer to go where the competition isn't where possible and this sometimes leads us to an otherwise unserved format position in a marketplace and this could range from Nostalgia to CHR.

## Randy Michaels honed his skills in programming. What is it like working for him as Chief Operating Officer?

Rewarding, challenging, inspiring. Randy has extremely powerful leadership qualities including superior intellect, intense passion, loyalty and humor. Equally comfortable discussing the application of liquid yield option notes, or the cancellation of Beavis and Butthead. ♦

			
WGST Atlanta KIDO Boise KTWO Casper WMT Cedar Rapids KGAB Cheyenne WKRC Cincinnati WTAM Cleveland WTVN Columbus KOA Denver WHO Des Moines KCOL Fort Collins KID Idaho Falls WLAP Lexington WIMA Lima, OH WMRN Marion, OH KWIK Pocatello KEWS Portland WHAM Rochester KNRS Salt Lake KOGO San Diego KOSB Santa Barbara WSPB Sarasota WFLA Tampa WSPD Toledo KLIX Twin Falls WAMR Venice, FL WKBN Youngstown	KIDO Boise WMT Cedar Rapids KGAB Cheyenne WKRC Cincinnati WTAM Cleveland WTVN Columbus KHOU Denver WHO Des Moines KCOL Fort Collins KID Idaho Falls WLAP Lexington WIMA Lima, OH KWIK Pocatello KEWS Portland WHAM Rochester KNRS Salt Lake KSDO San Diego KOSB Santa Barbara WSPB Sarasota WFLA Tampa WSPD Toledo KLIX Twin Falls WAMR Venice, FL WKBN Youngstown	WHOK Columbus WQIK Jacksonville KNWR Las Vegas WBUL Lexington KJQY San Diego	WPCH Atlanta WVMX Cincinnati WMXL Lexington WVEZ Louisville

**Jacor's Long Form Affiliates**

Having programming is all about distribution. Jacor, with 188 stations, has made almost as much noise with its purchase of programming as it has purchasing radio stations. Among its programming deals last year, Jacor purchased EFM Media for \$50M to add Rush Limbaugh and Dr. Dean Edell to its stables; \$185M for Premiere Radio Networks; and \$71.5M for Multiverse Networks and Dr. Laura Schlessinger.

*Above, a partial list of Jacor stations that carry Jacor-owned programming.*

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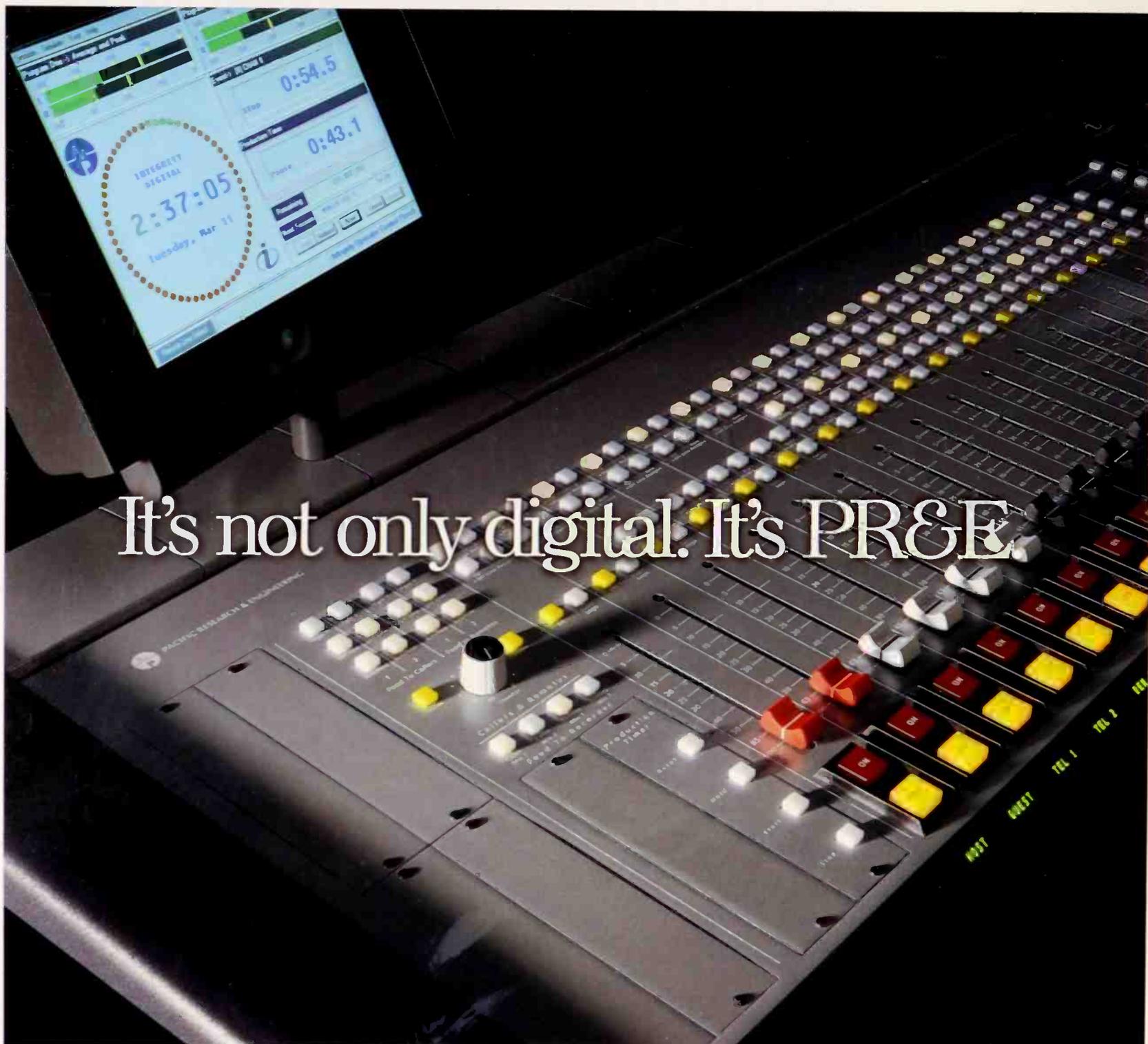
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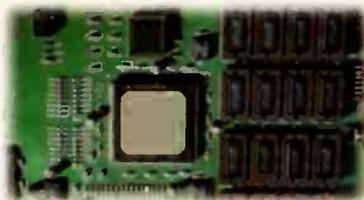
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