Publishers Perspective

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Naples, Florida Is Calling

Jim Carnegie

Back in January 2002, I was told *Radio Business Report*'s weekly news content was no longer relevant because of technology. First daily faxes, then omnipresent Internet news updates were sending my weekly news magazine the way of the hand-cranked phonograph. The only relevant factor left, I was told, was the *RBR* observation It was not much to show for over 19 years of publishing. I was advised by many to either go back to school and learn or get the hell out.—*RBR* 07/8/02

I did go back to school and learned new technology. I also determined to maintain an unofficial focus group of people and broaden my knowledge. Talk I did, from CEO's to AE's, with a strong focus on the GMs. I was especially interested in their day-to-day challenges and issues. I also set up a travel schedule to attend every key media event, not just to glad-hand but to learn.

For the past 22 months I have gathered intelligence which unfortunately brings me to this conclusion: Radio is in a huge mess and free television is not far behind. And it's the people at the top that have put us there.

How radio is killing itself from the inside out

American commercial radio, the medium that has survived through a world war, television, the Internet, government intervention and changing listener tastes is in critical danger of finally meeting its doom. Before I tell you why, an examination of this gravely ill patient is in order—just glance at these headlines over the past month, they speak for themselves.

RBR Radio News

A dinner date to fix radio's problems - **Joel Hollander, John Hogan, David Field, Farid Suleman, David Kennedy** and **Jeff Smulyan** all went to dinner. **Editor's Note:** Like 'Red Buttons would say, "Never got a dinner!" 03/04/04 *RBR* #44

Clear Channel spends half million on delay equipment - RBR observation: What on earth would you use a five minute delay for? Trying to improve your corporate image is one thing, but this is getting silly! 03/10/04 *RBR* #48

Cable ad spending hits record—an all-time high: $12.7Billion - a gain of 16.7%. **RBR observation:** Cable is having radio for brunch! The stats and advertisers tell the story - called reaching out and staying in touch with the consumer. 03/09/04 *RBR* #47

This isn't Randy's Clear Channel anymore—Randy would have never been groveling before the legislators as John Hogan did. **Editor's note:** Michaels knew the value of talent and would have never subjected his air personalities to the prospect of public crucifixion as a CYA for the company. But then, Hogan has never pulled an air shift. 03/02/04 *RBR* #42

Radio's flat tire is no blowout—Ideally, we'd like to be blowing 2003 financial result statistics out of the water. **RBR observation:** The red ink remained hidden away in the accountant's desk drawer. Accountable? 03/02/04 *RBR* #42

Clear Channel CEO John Hogan in the not so hot seat - "As a broadcaster—as the CEO—as a father of a 9 year old girl—I'm ashamed to be associated in any way with those words..." **Editor's note:** Someone please hand me a Kleenex and not the little white pocket size! Clear Channel one upped Viacom's Karmazin and everyone at Infinity Broadcasting. 02/27/04 *RBR* #40

4A's "Staying In Touch With The Consumers" - We are talking the real world of our MONEY! **RBR observation:** AWOL at the 4A's were the Radio & TV chiefs of many if not most of the groups plus a few others from key trade associations. 02/17/04 *RBR* #32

RAB 2004 'Accountability' A Melting Pot boiling over - President Fries spoke on accountability and EDI but it was delivered a little awkward. **Editor's note:** Puzzling or pathetic department deals with the press themselves...Pathetic! 02/10/04 *RBR* #27

Indecency Hits Super Bowl—The second half would produce raw naked packed football. **Editor's Note:** Quick, someone call Chairman Powell and get a figure on a potential indecency fine. If a :30-second spot was costing $2.8 Million ... that sounds about right. 02/02/04 *RBR* #21

Radio is killing itself!

Those of you who compete in radio against other stations know that the best way to beat the competition is have them implode from the inside. That is exactly what the people running this country's radio stations are doing. Usually, a medium as resilient as radio can survive an onslaught from listeners, or employees, or government, or technology, or industry associations, and even advertisers. But radio can't survive an assault FROM EVERYONE at the same time!

Management, no, senior management is killing this business from every angle. Sure you read about Lowry, Mel, Gary, Bob, Jeff, Mark, David, Lew, Farid, Joel, John, Moe, Larry, Curly and others who are visionaries, taking radio into the 21st century. Consider that crap!

These selfish leaders are lining their pockets and the pockets of Wall Street and the legal community without any consideration for the future of the medium, the people who work in it, or the listeners and advertisers that used to thrive on the creativity that radio once had. This is not a commentary from some old fart longing for the good old days where KHJ and WABC had more listeners than the population of most major cities. This is from someone who has been to the front line, and doesn't like what he is seeing there.

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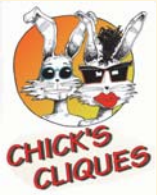

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Consider the business side of the business

Remember the days when radio was considered to be recession proof? Not anymore. Why? Because, we have turned radio into a commodity. We believed the hype that we created. How did it happen? Here's how:

The industry leaders convinced Wall Street and themselves that this is a growth industry. True radio can and does grow steadily—it's capable of turning in improved revenues almost every year. But can it grow at 10%, 15%, 20%? Get real! With the exception of the dot-com bubble, there simply is not that kind of growth in the business. But our industry leaders convinced lending institutions and fund managers that they can grow at that rate year after year. Why? So they can sell stock to investors who don't know the difference between radio stations and radio telescopes. By running the "growth myth" they can feed at the trough of untold riches and fame.

These CEOs better cash out and real soon. The growth myth is being replaced by reality, and that reality is no growth. They killed the growth. The flame of passion that heated the consistent single-digit predictable cash flow growth of old is being extinguished. Frankly, from what we've seen, they don't care. They got paid, we got screwed. Too many pigs at the trough and you're not one of them. Radio is not in a position to grow in the next few years. We have cut off the very avenues that can allow us to grow. What are they? Let's see...

Your industry leaders don't care about growing audience

That's right! You want proof? Just when new technologies like digital downloads, I-Pods, satellite radio, streaming, broadband and other forms of content are becoming available, radio is adding too many commercials (and we know it), not developing talent (remember the days of training new people overnight or weekends? Gone to voice tracking or syndication), playing the same music from New York to Walla Walla (where are the new "ears" in this business being developed?), cutting creativity in production (it's all done at the home office), not developing new formats (name one in the last few years that is not a recycle of another format? Jammin oldies? Please!), not telling the listeners the name of the songs (every programmer in the country knows this—yet ignores the pleas of the listeners), running 12-spot stop sets (even you can't listen through that), and working the people left in the stations so hard they have no time to even think about it.

Your industry leaders could care less that all these threats to the medium are here now. They won't do anything about it. Why? It costs money! There is virtually no money going into research and development of radio product. We have cut marketing budgets, research budgets, promotion budgets, creative production budgets and talent budgets. The result? No growth of radio listening in this country. The figures are right in front of us. Ask anyone under the age of 25 how important radio is in their life. You know the answer. You refuse to hear it. But wait! When those 25-year-olds become 35- and 45- and 55-year-olds, radio will be a memory blip of a generation gone by. Do today's radio CEO's care?

Hell no! By then they will be retired in Naples, Florida (lot's of them are there now, they cashed out in the last seven years) fighting for tee times and making sure they make the four o'clock specials at the restaurant while their kids fight over who will get the jewelry after they're gone. They got it made. You got the shaft.

Your industry leaders don't care about growing people

Consider the lowly department head in a typical radio cluster. program director, sales manager, chief engineer, business manager. 10 years ago they could focus on one or two stations. They had time to think about their department and how to make it better. They could train the next generation because they had time. It was not that long ago when the department head at a radio station had only one station to grow. They could nurture talent on the air or in sales. They could take the time to think about the audience or the client and what is best for them. The chief engineer learned why quality was so important to the ears of a listener and trained his or her assistant like they were trained. Don't get me wrong, it was not always a bed of roses. But

today's middle managers have no time to grow anything but the bottom line. And that string is running out. Simple math tells the story.

Example—1994—One program director thinking about one radio station x 60 hours per week = 60 hours of creative thinking per station per week.

2004—One program director thinking about five radio stations x 60 hours per week = 12 hours of creative thinking per station per week. 60 to 12 is not a good ratio, but hey—it might work, if you believe we currently employ only the cream of the PD (all that's left standing at this point). But, add 30% more spots, subtract marketing money, subtract research, subtract air talent, add new competition from the internet, I Pod's etc., add commercials for satellite radio, infomercials, subtract raises, subtract training, and add more administrative duties (HR and legal paperwork) and you have NO GROWTH!

But wait! There's more!

The worst job in radio today? THE GENERAL MANAGER. These people are tired, embarrassed, scared, confused, and lucky to have a job at all! I would quote some of these managers but they would be fired in a heartbeat.

On the surface, they put on the game face and hoist the company flag. Underneath, they are sad and disappointed that the industry they have chosen has become such a mess. A shrink would have a field day with these people. 10 years ago there were about 15 of this species in a typical market. They did their job (some better than others) and built a life for their staffs, a product for their listeners, traffic for their advertisers, and a name in the community. Today the 15 has become five. And those five are under attack like never before. Why?

Because company CEO's have just figured out in the last 18 months that GMs are a dime a dozen. The new opportunity for bottom line growth is the GM. In a no growth revenue environment these GMs represent the next place for the corporate execs to cut. And cut they are. No bonus, no raises, more stations, unrealistic goals and less support from above make the GM job in today's radio market the bane of the industry. They know it. They're scared. They don't know what to do about it. Unlike their bosses, they really know there is no meaningful growth left in the industry. Why? Look at what GMs have been through in the last few years.

They are the ones that had to cut staff.
They are the ones that had to add units.
They are the ones that had to cut marketing.
They are the ones that have to grow the top line 12% when the market is growing at 3% (if at all)
They are the ones that have to sacrifice long-term growth and development for short term Wall Street expectations.
They are the ones that have to compromise everything they know is right for the good of the company.

The CEO answer?

So what! If they don't like it they can leave. Let them go across the street. It's no better over there. There are plenty more where they came from. Loyalty? Forget it! Because of consolidation there is no loyalty. If GMs could leave and find another industry to work in they would. But they can't, so they suck it up and press on, knowing full well that neither the cluster nor the company, is not in a position to grow. They are tired, they are beaten, they need love. They won't be getting it. They know it. Their chosen field has hit a pothole. The front end of the radio business is out of alignment. They're already patching flats, and waiting for the wheels to finally just come off the cart. The GMs see it. They live it everyday.

They watch their fearless leaders give guidance to Wall Street knowing full well they can't do the numbers. They watch as the Captains of radio are hauled before Senate subcommittees expressing shock and surprise at their content, all the while collecting millions of dollars on the very same indecent broadcasts that for years have helped fill their wallets.

We all watch. But the industry leaders won't be listening They are so far removed from the reality of the business today that it is impossible for them to ever grasp the severity of the situation.

The listeners, employees, advertisers, government officials, and *Radio Business Report* are shouting it. But the CEO's are flying at 30,000 feet. They can't hear us. The roar of the private jet is too loud.

Publisher Perspective: I now give the same advice to the CEOs who slapped me awake 22 months ago—either go back to school to learn, or get the hell out.

Stop making these headlines in *RBR* or the Wall Street Journal—Viacom rebounds from bad press - No surprise to 'Zen Master" Karmazin says "will kick ass of 3,500 salespeople"...

RBR observation: So old, it's always new 6/12/03 *RBR* #115

Or, Naples Florida is calling...

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