

TazMedia, Inc.

Lessons to Learn from US Broadcasters in the Economic Slowdown

By Jim Taszarek -March 9, 2009

US radio revenues declined 9% from 2007 to 2008, however that is not the entire story. That number is an average of the entire year. A higher rate of decline occurred in the 4th Quarter of 2008. Business continues to steadily decline more.

In larger markets US broadcasters employ accounting firms that survey confidentially local stations every month. The stations voluntarily disclose their monthly revenues. Those figures are compiled into a summary of the entire market. The worst I've seen is Detroit, with market revenues down by

50%. In the Top 25 markets (Los Angeles, New York, San Francisco, Philadelphia, Miami) a decrease of 25% figure is common. Conversely, in smaller markets, it is common to see revenue that is equal to, or higher than 2008.

Revenue	\$Q4 '08	% Chg	\$FY '08	% Chg
Local	\$ 3,172	-13%	\$ 13,607	-10%
National	\$ 735	-14%	\$ 2,930	-12%
Local & National Combined	\$ 3,907	-13%	\$ 16,537	-10%
Network	\$ 298	-4%	\$ 1,150	Flat
Off-Air	\$ 444	1%	\$ 1,791	7%
Grand Total	\$ 4,649	-11%	\$ 19,478	-9%

Source: Miller, Kaplan, Arase & Co.
Off-Air was previously referred to as Non-Spot

Much of this is beyond our control with little each of us can do that will affect the world economy, however most US broadcasters would agree that we made the situation worse ourselves. You can take actions that will lessen the impact on both the radio economy and therefore personal incomes. Some are difficult and call for a heroic destruction of previously untouchable sales laws and traditions. (Many of these traditions should have gone long ago.) Above all, it requires an inventive and open mind. Here are some.

1. **Depend less on Automotive advertising.** We became too dependent on Automotive advertising, having accounted for 20% of total revenues for the last three decades. No matter what the market size, it has decreased by, at least, 50%.

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2. **Depend More on Direct Client Relationships.** Large markets are almost totally reliant on advertising agency business, awarded to stations based on measurement of estimated audience size versus cost; in other words, ratings-based revenue. Smaller market broadcasters conduct their principal sales relationships with the actual business principals and depend far less on agencies. The lesson is obvious; advertising sales must be more client-centered. Not only that, the advertising agencies are struggling to stay in business.
3. **Reconsider Rigid Rate Structures.** If one listens to a radio station, they will hear commercials with words like, Discount, Buy-one-Get-one-Free, Free Trial Offer. Radio on the other hand feels that it is almost immoral to do the same. One should conclude; If you're not 80% sold out - your rates are too high. The market is telling you that your supply is higher than your demand. The Variable Demand Rate Card is the future. The model is airline seat pricing. The price you pay for a seat on a commercial airline will be different depending on class of service, the seat sellout on that particular flight, the time when travel occurs, the date when the ticket was purchased – and many more factors.
4. **Concentrate on Ideas over Impressions.** Impressions (spots, ads, click-throughs) are as available as grains of sand. They're everywhere and cheap. Clients aren't looking for cheap spots as much as they are looking for ideas how to sell more to their customers. Cheap spots with bad copy could do great harm to a client. Good copy creative will always achieve better results.
5. **When the Client says, "I have no money."** What the client is really saying is, *"Based on everything you've told me, I can survive without you and your product. You haven't convinced me that I need you."* Like the above example, if all we are offering is spots – and inexpensive spots are available everywhere – then the client can indeed probably live without us. However, when we inquire enough to discover the client's marketing problems, then present a SOLUTION, they often magically *Find* the money.
6. **Combine the strength of radio and the web.** Offer On-Air Announcements and Web Component as One. We have treated an on-air spot schedule and web as two separate products. We now understand that combining the two into one makes for larger and more identifiable results for the advertiser.

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7. **Increase the number of salespeople.** Cost-cutting has become a way of life and personnel layoffs are everyday events. Many owners have determined that cutting of sales people will save money. True. However, it also results in fewer calls, fewer presentations and thus fewer sales. Therefore, this cost cutting is actually revenue cutting. Indeed, this is the time to add salespeople. I'm aware Europe's stringent hiring and employee rules of, but there is an answer. Increasingly, media companies are turning toward out-sourced, independent salespeople. Rather than receive salary and benefits, they instead work for a very high, very appealing commission rate. There are many new issues here, but they seem to be working and working at a far lower cost of sales overhead.

8. **Focus on the Problem Rather than the Solution.** The US consumer is bombarded daily with stories from every news medium regarding the terrible economic decline. However, dwelling one's thoughts on those conditions helps nothing. When conducting sales meeting in my client stations I prohibit words like, *crisis, downturn, recession*, etc. Instead, all conversation must answer the question, "*What are we going to do about it?*" *What are solutions? Give us your ideas for recovery?* Rather than discuss business that has gone away - we discuss even the smallest success stories. Each salesperson is required to bring us a success story weekly - even if it is weak. Of course we recognize the situation – but we concentrate on solutions.

Conclusion. The effects of the worldwide recession are inescapable. However we can mitigate their negative influence on us by learning from the mistakes of others. Hopefully you can profit from them.

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