BMI PRESENTS
WCRS LIVE 2013
FEATURING
BRAD, BRETT & THOMAS RHETT

THE WARREN BROTHERS
"FEEL THAT FIRE" • "FELT GOOD ON MY LIPS"
"RED SOLO CUP"

THOMAS RHETT
"BEER WITH JESUS" • "SOMETHING TO DO WITH MY HANDS" • "I AIN'T READY TO QUIT"

WEDNESDAY, FEBRUARY 27TH, 2013
4:00 – 5:00 PM
NASHVILLE CONVENTION CENTER
LEVEL 2, ROOMS 204-205
Emmis Communications Chairman Jeff Smulyan is understandably excited about Sprint’s January announcement giving customers access to local FM stations on selected Android and Windows smartphones. The carriers’ decision concluded a years-long labor of love for Smulyan, who believes it will ultimately result in game-changing improvements for radio and its public perception. Quarterbacking this initiative on behalf of the radio industry is another feather in Smulyan’s cap and cements his reputation as both entrepreneur and industry visionary.

Formed in 1980, Emmis currently owns 20 FM and two AM stations in the nation’s largest markets, plus radio stations in Slovakia and Bulgaria. The company’s U.S. station portfolio includes Country WLHK/Indianapolis and WTHI/Terre Haute, IN. Its publishing division has six local, regional and national magazine operations.

Here, Smulyan talks in detail about the FM chip and its potential new revenue stream. He also discusses PPM’s effect on programming, content and air talent, operating in today’s economic climate, and offers his thoughts on Country radio specifically.

**Jeff Smulyan**

**Gunning For A Game-Changer**

Country Aircheck: You have been spearheading this effort for nearly six years. Why was it so difficult to accomplish?

Jeff Smulyan: I learned very early that in the rest of the world, most phones are sold through manufacturers. They put these chips in during the early days and said to consumers, “If you want a radio in there it’s $5 extra.” People liked it and bought it, so well over a billion phones around the world have radios activated. But in this country, it’s pretty much carrier-centric. They decide what goes in the phones, not manufacturers. The carriers felt they’d rather sell music downloads or charge for data services, even though over time we went from specifically putting FM chips in to having FM chips as part of a standard chip set in every smartphone in the world. It wasn’t a question of actively putting them in when smartphones came about; it was a question of integrating the software and turning them on.

What made Sprint say yes?

Number one, they try to build their market around unlimited data. Remember, the American public spends about three billion hours a year listening to local radio. If you’re selling unlimited data, that clogs the data network. If you’re metering data, you just charge the consumer more. But if the consumer is getting all they can use for $30 a month like in most Sprint plans, that’s really not helpful. So getting everything out of that data network is helpful. I also think they looked at the back-end advertising revenue and realized there may be something very special here.

What are those back-end opportunities?

We have the ability to enhance advertising. For example, if my radio station sells McDonald’s an ad campaign, they run a special on Egg McMuffins. If I also go to McDonald’s and say, “Now in smartphones, we can download coupons,” they can buy an enhanced ad. So when the ad comes on the radio, the ad pops up on the smartphone, you click on it and the coupon pops up, too. That becomes instant commerce for McDonalds and new revenue for the radio station. The Sprint people feel this has a tremendous opportunity to create value.

What would be your expectations for creating new revenue?

We estimate it could be $150 million of new revenue in 300 million Sprint smartphones. The Sprint people feel it’s multiples of that and more. If they’re right and you replicate that across 300 million smartphones, you could have a back-end revenue business that is half again as large as the entire American radio industry.

Here’s why that’s attractive: It’s new revenue for the industry, so if we get a dollar of new revenue it’s found money. In addition, it’s the first time you combine call to action of a broadcast signal with location-based services, the ability to download coupons, but also our interactivity with our audiences. Marry all that for the first time and we think you have a chance to do something very special.

To be clear, this is a tuner and not an app, correct?

It’s been hard for people in the industry to understand the difference between streaming their audio and having their over-the-air signal. I’ve used an example that has resonated with people: I have a radio station in Los Angeles, KPWR. It costs me $39,600 a year for electricity to run my transmitter; that’s my distribution cost. For that price, I can reach one person in Southern California or all 15 million simultaneously, at no incremental cost.

The average consumer doesn’t care if they listen through the streaming network or over the air. Where that ends is when they start getting a data bill for that signal.

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If it's another $5-$10 a month, maybe. Our point is, if for another $40-$50 and say, "What the heck was that?" vacation and receive a bill from their wireless carrier 3G or 4G connection. But they did focus groups and started, carmakers said, "We'll just have a separate rate-a-record, text-to-win contests – all sorts of social of the other things they see. That's why we want every station in America to have album art, liner notes, interactivity, interactive ads, but also instant purchase-rate-a-record, text-to-win contests – all sorts of social media. We need to do that to be competitive. That was the NAB's conclusion. We built the app because there was nobody else to build it and when I say the app, I mean the [NextRadio] tour.

But I think the most important thing, and what I've been saying for several years, is that when data metering starts to become big, that's when this matters a lot. The average consumer doesn't care if they listen to KPWR through the streaming network or over the air. They're not going to care the over-the-air signal is a little easier to receive.

There's confusion, but where that ends is when they start getting a data bill for that signal. We're now in the first inning of data metering. Up until a year ago, everybody bought unlimited data plans. Five years ago they paid for talk and text, then it shifted to unlimited data and they got that free. Nobody cared. Then data usage went crazy.

Since the introduction of AT&T's smartphone, they saw their data business grow by 210,000 percent. That's why the carriers have all gone to the FCC and asked to take some of these TV signals. They're out of spectrum. Our point is, when people start to stream audio and video, they start eating into data plans.

The first examples we see are in automobiles. The smart dashboard is a big thing in cars now. When they started, carmakers said, "We'll just have a separate 3G or 4G connection. But they did focus groups and people said they won't pay $70 a month for another phone line in the car. Carmakers decided to just hook smartphones into the dashboard and that will activate all this stuff. The problem is, people plug their phones in and take a trip to Nashville to Miami. They listen to iHeart, Pandora or KPWR. They get back from vacation and receive a bill from their wireless carrier for another $40-$50 and say, "What the heck was that?"

Once people get these data bills, it's sticker shock. If it's another $5-$10 a month, maybe. Our point is, if we can provide a free alternative and it's cool looking, we think we have a great opportunity.

When this rolls out in late April or early May, how can you make a point to consumers that this is important? I'm hopeful that when everyone goes to the air, these phones are introduced people are talking about them and we provide a good consumer experience, that people will be very happy.

The amount of data that we need is a lot less than for the HD Alliance, where we just gave up inventory. There's a second step here. We're asking everybody to contribute inventory, which we'll turn into cash and give to Sprint. And I can tell you it; is a far, far smaller amount than for the HD Alliance.

Who did you actually represent in working to make this happen?
The group was myself, CBS Radio, Clear Channel, Cox and Entercom. But it's really much deeper than that. Really, it was the 12 leading companies. The most gratifying thing is that once we announced this we reached out to a lot of people to get commitments. I have not had one person tell me no. Everyone has said they'd do their part.

This became a labor of love. I was convinced this industry absolutely had to do something. I've also looked at our business and said people can't borrow much as TV or the cable channel industry, but the perception of our industry is that it is fragmented like crazy. I can't give a speech to college students without them wanting to talk about Pandora or Spotify. Yet if you really look at the impact of those industries on our actual business, it's negligible. But the perception out there is that we're a dinosaur and we have to do something to change that.

Anything specific?
Could we do a massive repositioning campaign? I guess so, but doing that as an industry is impossible. We have to go to where our listeners are and reintroduce people to what we do. I still think the one thing that might make us hip again is the cell phone.

That's the one device where 310 million people live with it every day.

Emmis has always placed a high value on air-talent and compelling content. What has PPM done to the radio business? Has it taken content down the right, or the wrong road?
Obviously, it's gone down roads we're not in love with in terms of air talent and how much time people spend. But I'm a big fan of PPM. I think people have to realize the world as it is. We had done enough research on PPM to know it was going to change our lives forever, but I also feel you can never live with your head in the sand.

Advertisers told us the diary method doesn't adequately reflect how people live their lives. I had friends who said we had to stop this and we said look, if our customers are telling us this is what they need, you have to live with that.

It's disappointing in many ways. On the other hand, we've learned to program with it. A great talent is a great talent whether it's PPM, diaries or whatever. We certainly have some great ones. I'm a believer that you play the hand you've got and PPM is the one hand we do. Do I wish it had shown certain things? Sure, but it's probably a fairly accurate depiction of how people consume this medium.

Were you surprised at the effect it had on certain formats versus other?
Not surprised at all. We knew all that. We had a Smooth Jazz station [WQCD] in New York and we said as soon as PPM comes there, Smooth Jazz is over. On the other hand, we knew people ethnic stations in the last diary [then-Urban] VRKS (KSS) was first and our competitor, WELLS was third. Three years into PPM, I think WELLS was ninth, which is not surprising at all. We knew it was tough, but that's the world you inherit.

Emmis has been both a public and private company – overall, what effect has being public had on broadcasting?
Being public is great when Wall Street loves you. Your currency rises, your stock rises and the value of employee stock options grow. If you want to make an acquisition you can use stock, you don't have to...
Country Radio: The Most-Listened-To Format in America

Radio Today Reports New Highs for Country Audience

The most recent edition of the Arbitron exclusive Radio Today report contains great news for fans of Country radio as the format hit an all-time high with a 14.1 share of 12+ listening across the country, an increase of 3% over the previous year’s report. That not only means Country is the most listened to format in America, but also means the total share is the highest recorded number for any format since Arbitron began tracking national format performance.

The size of the audience is even more impressive when you consider that the format ranks number four overall in markets measured with the Portable People Meter™ (PPM®). That means the current success is being driven by both the PPM and Portable People Meter® and Portable People Meter™ is a unique appeal that crosses demographic and gender lines. The format ranks No. 1 in total ratings in every demographic except teens and adults over the age of 55, where it ranks second and is almost evenly balanced in gender.

There have also been notable changes in the overall makeup of Country listeners recently. Nearly a quarter of Country listeners now live in homes with an average income of $75,000 or more. That number has increased by more than 50% in the last 10 years. Likewise, over the past decade the percentage of Country listeners with a college degree has risen. As of today more than 16% of listeners have a college degree—an increase of 26% over the past decade—and another 34.5% have attended some college.

Nearby any advertiser should be able to benefit from Country radio’s large and diverse audience, but certain products and services, like home improvement, are especially fertile ground. According to data from Scarborough Research, 26.2% of Country listeners invested in interior paint or wallpaper in the last year while 26.5% had landscaping work done, making them 11% more likely than average to have undertaken these projects. Likewise, the audience is more likely than most to have invested in remodeling their kitchen or bathroom, installing new carpet or floor covering and repairing or replacing their heat or air conditioning system.

All of this information and more about Country listeners, as well as profiles of listeners to every other major radio format, can be found in the Arbitron Radio Today 2012 report available to Arbitron clients at my.arbitron.com.

See Arbitron at the Country Radio Seminar

Arbitron will be participating in two sessions at the 2013 Country Radio Seminar. We hope you’ll come and see what we have to share.

Small Market PPM: Five Strategies for Recall Markets
Thursday, February 28, 10:00AM
NCC, Level 2, Rooms 209-210

Arbitron Senior Vice President of Programming Bill Rose will share several PPM-related programming lessons that can be applied in Diary markets. Topics will include:
- Achieving ideal music rotations
- What hosts should be talking about and how much
- Effectively promoting station contests and events

The Special PPM Report: The Country Radio Audience
Thursday, February 28, 11:30AM
NCC, Level 2, Room 206

Arbitron Director of Programming Services Jon Miller will share a series of insights about the Country audience culled from listening across all of the PPM-measured markets. His findings will include:
- Which markets have the highest penetration of Country listening
- How many Country stations one market can support
- The peak hours for Country listening

Recycle More in 2013

By Jenny Tsao

I’m making a personal resolution to do more recycling in 2013, and you should too. Recycling is good for the environment and your station’s ratings.

At the 2012 Arbitron Client Conference, I presented a study of audience recycling patterns for the five top-rated stations in the 10 largest markets that illustrates how there is more than one way to bring listeners back to your station.

Vertical (Some Day) Recycling
Vertical recycling is about enticing listeners to tune back into your station later the same day. For example, if they listen in the morning, the goal is to get them to tune in at work during middays or when they drive home.

That might not be easy, but the results are worth the effort. Listeners who tune to only one daypart account for 11% of a station’s total week ratings, while those who tune to three or more dayparts make up nearly 60%.

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<tr>
<th>% of Full Week AQH</th>
<th>Top 1- Stations</th>
<th>One Daypart</th>
<th>Two Dayparts</th>
<th>Three+ Dayparts</th>
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<td></td>
<td>11%</td>
<td>31%</td>
<td>58%</td>
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These numbers reinforce the importance of bringing listeners back throughout the day for more occasions of listening, which we know drive ratings in PPM. Listeners who make a habit of tuning in three, four, or five times a day have a huge impact on the station’s overall numbers regardless of which dayparts they tune into.

Horizontal (Next Day) Recycling
Horizontal recycling is about getting listeners to come back to the station for multiple days and it is another powerful ratings driver. Fifty-eight percent of top rated stations’ total AQH for adults 18-34 comes from listeners tuning 4-5 days a week and for adults 25-54 the number rises to 66%.

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<tr>
<th>Demographic</th>
<th>% of Daily Come back &amp; % of AQH</th>
<th>% of AQH tuning 4-5 days/week</th>
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<tbody>
<tr>
<td>Adults 18-34</td>
<td>23%</td>
<td>38%</td>
</tr>
<tr>
<td>Adults 25-54</td>
<td>27%</td>
<td>66%</td>
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So there is more than one kind of recycling. One can help the environment and the other can help grow your audience. Both are worth your time and energy.

Jenny Tsao is the Programming and Marketing Operations Manager at Arbitron. Reach her at jenny.tsao@arbitron.com.

You can get your dose of ratings and programming insights at arbitrontraining.com/programming
for 17 years and are probably a little more skeptical about it. They may see things you don’t. We’ve joined iHeartRadio and Tuneln. We’re all questioning whether that’s a viable business model. Who knows? In terms of branding, iHeart is a great idea and Nash-FM, in most cases, will be a fine idea.

You’re very familiar with New York radio. Knowing the market, what makes Country work and what will make it challenging to achieve success with both ratings and revenue? Historically the challenge is—and we had to make the decision when we bought the NBC station and couldn’t have a second FM—did we keep the Hot brand, which was at 103.5 or keep WYNY at 97.1? We decided on [Rhythmic Top 40] WQHT. The good news is that, more and more, Country is becoming a compelling format nationally. It clearly has a lot of people in New York. On the other hand, it’s very tough in an ethnically diverse market to do Country and we faced that same battle in Los Angeles. You’re dealing with a market where—and this seems like a bad thing to say—but almost every African American, Spanish and Asian listener is not a likely candidate for the format. Therefore, when you have gigantic, diverse markets like New York or LA, it’s a tougher challenge.

Do you ever regret flipping KZLA/Los Angeles out of Country?

I guess I should tell you that I promised myself to never regret anything. If I didn’t do that, I would have regretted selling WFAN. I would have regretted switching KZLA and then selling it. We really just felt Country was tough. Since Saul Levine has done that [with KKGO], I think he’s seen it has a nice audience but it will always be tough.

When we flipped to KMVN (Movin’), it didn’t do any better. When the time came, given the way the market changed, we needed to sell the station anyway.

Would we have been better off staying there? Probably. I would defer to [Emmis President/OM/PD] Bob Richards, who knows this format and Progress.

Talk about WLHK/Indianapolis’ Country launch and progress.

We liked it and it’s kind of frustrating because people say, “Well, he’s the guy who killed Country in New York once, he didn’t choose Country the second time and he got out of Country in Los Angeles.” But we loved the format. I happen to listen to the format a lot, my wife listens and so does my daughter. You try and play the hand you can. We were delighted when we had the chance to do Country in Indianapolis and we feel vindicated by it. Emmis has always been about defining what is the best niche.

Can Hank eventually win this consistently? Absolutely, when you look at the team we have in place with [Market Manager] Charlie Morgan and [OM/PD] Bob Richards, who know this format and this market as well as anybody alive. I wouldn’t bet against them and that’s not to denigrate WFMS. It’s been a wonderful radio station for a very long time, but we’ve come a long way in the last couple of years.

Is the industry able to compete when Wi-Fi becomes readily available in cars? We hear some refer to in-car listening as the “last bastion.” True? That’s why I’m such a nut about the portability of cell phones. We’ll have a lot more listening if people have a radio in their hands. Even when universal Wi-Fi comes, by the way, there are some technical reasons why it may be very tough to do Wi-Fi in cars. There’s a lot of debate about that.

There’s still a cost to one-to-one spectrum distribution. What you find is people are always going to have to pay something. There’s always a cost to spectrum. We really have the cheapest spectrum cost of all. As long as we do our job, there’s a market for a one-to-many distribution model.

Who will be the buyers of radio properties down the road? We’re probably in a unique position. If we buy things, we’ll do it with other partners and their equity. We’re lucky, we have one of the best balance sheets in the business and I’m very pleased. Will we buy more radio? You never know. We’ll see, but I think we have a pretty interesting opportunity to do that.

Where is radio in five years—or is it still possible to have a long-term strategy? My sense is that we can do that. And, I circle back to the smartphones because I think that’s the game-changer. If it’s right, and in five years we’re in close to 300 million phones and people rediscover radio by understanding it’s free, local and interactive in a way we can make it, we’ll have a wonderful future.

The Interview
THE RESUME SPEAKS FOR ITSELF!

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