



Marketron

Broadcast Solutions

The End of Radio...Or a New Beginning?

A lot of attention is being focused on problems facing radio. Many of the proposed solutions are sound ideas. Some are unique solutions offered by respected leaders with good intentions, but designed to create separation between their radio station group and everyone else in the industry. Personally, I think any isolationist strategy will cause further damage by making industry-wide solutions more difficult. At the end of the day, **declining revenues** are what affect all of us the most. This is an industry issue, not a radio station or radio group issue. I also believe that there is an industry solution. What follows is not an attempt to minimize or take exception to the good ideas of those expressed before, but rather to propose a different point of view for consideration. First, an observation...

Radio's recent competitors are facing a greater struggle in today's economic turmoil. Satellite radio, iPods, music downloads; anything that is fee based is threatened now by the downturn in the economy. Even consumer habits, both listening and purchasing, are backing right into free Radio's sweet spot. Shouldn't we take advantage of this downturn to remind listeners and advertisers of the benefits of a free service? When the economic damage is finally done and recovery begins, Radio may be handed the greatest "do over" in history. Will we be ready? Are we working right now on correcting the mistakes that contributed to our decline? Will our industry, having learned from its past mistakes, embrace the fundamental strengths that put our free service in every home and car in America?

Audience erosion is real, but **revenues can grow even while market share declines**. Some may think our revenues are declining because of industry-wide audience erosion, but I see it differently. What broadcast Radio offers is unique and will never be rivaled. The fundamental cornerstones of American media businesses are content and distribution. Our content needs work, but no competitor will ever rival our industry's 100% distribution.

So here is Radio, an industry made up of unique franchises in every market in the country, struggling with industry-wide declining revenues. If you look closely however, you will notice that our industry is missing one necessary, fundamental element for industry-wide revenue growth, and that makes this our industry's number one problem: **Radio has no transportation infrastructure and therefore no industry-wide connectivity.**

Every city in America puts a priority on transportation infrastructure. The bigger the city, the more important it becomes. Transportation infrastructure promotes commerce and is one of the most important factors in economic growth potential. Retail and restaurants build next to

6/8/2009

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highways and intersections that have the highest volume of traffic. They know that the more convenient they are, and the easier it is to connect buyers and sellers, the more likely it is for a consumer to stop and spend money. To make customers go out of their way to spend money, especially when competitors are more convenient, is a recipe for failure.

Think of radio today as a city with no transportation infrastructure; lots of rural roads and dead end streets, but no highway or loop system to connect each street. Agencies, rep firms, stations and vendors all operate with independent, proprietary operating systems. There is no industry accepted API (application programming interface). Without cooperation or connectivity our systems do not communicate with each other; therefore we cannot move information effectively from buyer to seller. Exchanging documents and/or data industry wide is not possible today because we have no highway to deliver the message. **Lack of industry-wide connectivity creates significant hardship for media buyers who want to spend money in our industry.**

We must make Radio easier to buy. This is one of Radio's biggest challenges. Media buyers want one simple, consistent way to place their business and one simple, consolidated report showing proof-of-performance. This is a very important point. What several large radio groups have chosen to do to attract more business is to attempt to build their own proprietary systems and dedicated functionality. But this just adds to the problem and contributes to the lack of industry-wide connectivity. Media buyers don't want different solutions from different radio groups. Media buyers want to buy radio one way...one simple, consistent way. They want to buy 40 or 50 markets, 200 stations clicking one button to deliver the order. They want proof every day that their orders are running correctly. If there are discrepancies, they want the ability to make changes quickly, while they still have the time and budget to do so. That's what media buyers want and that's what Radio should provide. If groups in our industry continue to add unique operating systems to an infrastructure that lacks connectivity, we will most certainly continue to give media buyers a reason to put their money elsewhere.

Because Radio has no industry wide connectivity, the result is:

- No uniform method to place traditional radio buys electronically
- No uniform way to provide proof-of-performance reports back to buyers
- No uniform way to provide electronic invoices back to buyers
- No uniform way to exchange creative information (ad copy) between buyers and sellers
- No uniform data flow between buyers and sellers
- No uniform way to deliver complicated network buys electronically to stations, or compliance information back to the buyers
- No uniform way to organize, identify, price, sell and traffic emerging non-traditional inventory (streaming ads, banner ads, website links, etc.)
- No uniform way for buyers of this new inventory to place an order for the business
- Limited communication with GL systems used by broadcast organizations with different business units
- Almost impossible innovative advancement because of the necessary interfaces required to connect to every proprietary system.

This list could go on and on, but suffice it to say that the end result is frustration.

If Radio had a transportation infrastructure it could support a strong industry marketplace where buyers and sellers could easily and securely communicate, negotiate, place buys and complete transactions with confidence while eliminating discrepancies. Connectivity would allow the industry to exchange data, deliver orders, invoices, documents, proof-of-performance, and most important, support the industry-wide development of advancing technology. Radio's next great opportunity will most certainly include the Internet, and possible alliances with technology companies. Without connectivity, the industry will struggle to maximize this new revenue potential. Radio stations will have more sellable, sponsorable inventory than ever before, but again, if we want media buyers to spend their money with Radio, we should provide them with a path to every door.

Every major industry in the United States has moved to electronic commerce, except Radio; banks, airlines, hotels, retail, travel, school systems, entertainment, even pizza delivery...but not Radio.

Radio is the most difficult medium to buy. After negotiations are complete, an order is emailed or faxed to every market on the order. This means that a group with 40 markets requires 40 separate orders from the buyer. Those orders are then keyed in manually at every site. There are more than 10,000 radio stations in the U.S. No wonder when agencies have discretionary dollars to spend they put the money somewhere else.

There are more discrepancies in Radio than any other media (8+ %). In a \$21 billion industry, this means Radio loses over \$1.5 billion a year in discrepancies. Many of these errors are keying errors, mistakes made when orders are manually keyed into the traffic system. Some are missed or bumped spots that don't get noticed until budgets and campaign flights are long gone, leaving credit as the only option.

Radio needs immediate accountability (proof-of-performance). An ad placed on the Internet can return immediate, detailed proof-of-performance (web metrics) to buyers. Currently proof-of-performance in Radio can take up to 90 days or more because of the antiquated manual process of reconciling station logs with automation systems.

Biggest industry-wide misconception: The radio station's traffic and billing system is nothing more than a back office software system designed to input orders and schedule spots on a log.

Reality: The traffic and billing system is the radio station's **business operating system**. This is where **all** radio station data resides; inventory, history, budgets, receivables, everything. Industry wide connectivity requires that every radio station's business operating system be joined securely to an industry-wide transportation infrastructure. It's like having an onramp to the highway. A station's pre-buy (or CRM) system, automation system, delivery system, any third party enhancement or tool to make the radio station better, requires an interface (connectivity) to the radio station's data (business operating system). Without connectivity, your station is limited to the original functionality of the business operating system and not able to take full advantage of, or plug into, emerging technology. Without connectivity, your station stands alone to a

media buyer looking to place an order. With 10,000 individual station options, a media buyer is faced with a daunting task. Web enable all 10,000 options and put them on a single database with tools to narrow buying parameters, and now you've made Radio a contender for every budget.

So here we are today with no transportation infrastructure, no industry-wide connectivity, and lots of problems. I will admit that by introducing connectivity, you will not solve all of Radio's problems, but I will guarantee that if we don't build an infrastructure, no solution in the world is going to advance Radio. I believe owners of radio stations should be focused on improving and creating better content, advancing technology, improving audience measurement and just about anything else they think will give Radio an advantage. **The project that needs immediate support is the building of an industry-wide transportation infrastructure.** And the project has begun.

Marketron has approximately 6,500 U.S. radio station clients, including 47 of the top 50 radio groups, using one of three different business operating systems: Marketron Traffic, DeltaFlex and Visual Traffic. Marketron has the scale to build and connect a huge part of the industry's transportation infrastructure. Marketron has developed a data exchange layer using Microsoft BizTalk technology that will connect our business operating systems with buying systems, vendors and technology companies. This means that 6,500 radio stations will be interacting with all media buyers, other vendors and technology companies electronically. To say it a different way, if a buyer or a buying system wanted to reach 6,500 of the U.S. radio stations, we now have the foundation to offer connectivity. This is the beginning of something very important to Radio.

The first example of how this will impact radio is our current cooperative partnership with Katz Media Group. Katz has built a successful portal where their electronic orders reside. Initially this station order website (SOW) was built to facilitate the delivery of those orders to Clear Channel stations. Today, the Marketron Exchange layer will enable Marketron stations to retrieve every Katz order, accept (or reject) it, confirm it, and then move that order seamlessly into the traffic system without ever having to be touched. Since the order is never re-keyed, there is no chance for error. Marketron stations will also have the ability to provide next day proof-of-performance back to Katz on every order. If a spot gets bumped or missed, an agency will have plenty of time to make a spot good inside a campaign flight. A media buyer placing business through Katz could buy every Katz-represented station in the country and place the order with the single click of a mouse. At the end of the flight, an electronic invoice goes right back to the buyer. In this example, with the cooperation of Clear Channel, Marketron and Katz, one buy sent one way could reach every market in the country.

Marketron has begun a major campaign to encourage all client stations to sign up for The Exchange with hopes of electronically enabling all stations in the months ahead (over 1000 station signups in the first 90 days). Registered stations will be added to an electronic registry that shows media buyers which stations are electronically enabled. The more stations on the list, the faster buyers will adopt the electronic exchange. In addition to Katz orders, Marketron will be working closely with other media buying systems in an effort to make the buying process as simple as pushing a button (or clicking a mouse). Senders of network orders and remnant buyers will also one day benefit from this new platform. Imagine not having to manually write up every

line of a network order and instead, pushing a button to populate the traffic system with the electronic order; no more discrepancies, no more wasted time. Even copy, affidavits and co-op forms will soon move back and forth electronically between stations and buyers.

A growing opportunity for Radio today is the sale of all new, sponsorable inventory: websites, streaming (audio and video), banner ads, podcasts, scrolling text, weather and traffic overlays, mobile texting and more. This could be Radio's future. We have to make it easier for our stations to identify all traditional and non-traditional inventory, value it, price it, sell it, traffic it and provide proof-of-performance to those who buy it. Emerging buying systems will need the same connectivity to all radio stations allowing for a single, simple mouse click to complete the delivery of an order. Internet companies (like Ando Media) offer opportunities to maximize a station's Internet (streaming) potential and have become strategic partners with terrestrial stations, bringing new revenue to radio stations. Industry-wide connectivity would increase this potential substantially.

Building industry-wide connectivity will take time and cooperation. Marketron cannot do this alone, nor are we trying to. We have built the foundation; connectivity and enhancements will follow as quickly as they can be developed, and the list of possibilities seems endless. What Marketron has is scale. Ten years ago there were half a dozen or more business operating systems in radio stations across the country, all competing aggressively, rejecting cooperation. There was no industry accepted standard, no attempt at connecting systems and certainly no unified effort to work toward a common goal. Today, four of those competitors make up the core business of Marketron and represent every radio market in the country. With Clear Channel's cooperation and a partnership with Katz, this first phase of the exchange now has the scale and the determination to establish the cornerstone of an industry wide transportation infrastructure.

After years of frustration and substantial investments in time and resources, the electronic exchange is here: www.marketron.com/exchange. This is the first of many reasons to support a transportation infrastructure in Radio. By eliminating discrepancies alone, we reintroduce over \$1.5 billion to radio in lost revenue. By adding proof-of-performance, we validate our value to media buyers. By making it as easy to buy the smallest station in the country as it is to buy the largest, we extend reach that buyers never had before and revenue potential that stations never had before. By providing senders of Network orders a simple push of the button to distribute thousands of lines of detailed order information across the country, we are saving hundreds of man-hours for those that process these orders. By exchanging orders and invoices electronically, we can eventually eliminate all postage, paper, envelopes and the labor associated with stuffing and licking, along with the current difficult and time consuming back office task of matching up paper orders with invoices at the agency. And that's just the beginning...

Our hope is that one day, on a rainy Sunday night, a store owner will be able to pull out his laptop, access his local radio station's inventory, purchase airtime, attach his pre-produced *25% off of all umbrellas* spot, pay for the order as he sends it, and wake up to hear his commercial on Monday in morning drive.

We are watching technology advance more quickly in the past three years than it did all of the previous 75. We cannot possibly know what exciting innovation is around the corner, but we've got to protect the integrity of the industry if Radio expects to benefit from what is to come. Pick your favorite sports team or individual. The New York Yankees, Dallas Cowboys or Tiger Woods...If Major League Baseball, the NFL or PGA did not have solid, well run infrastructures, dynasties would never emerge. Winners are the end result of organized, competitive leagues and associations. Our industry should be no different. For winners to emerge, our industry must first take the steps necessary to build a communication and transportation infrastructure capable of connecting every station. That alone puts us in the fight for global advertising dollars we are currently missing. Our industry is historic and relevant. We are in every home and car in America. Our value to listeners and advertisers is unrivaled. Let's provide a foundation that encourages every radio station to succeed. Let's do this right now, while we still have time.

This doesn't have to be the end of Radio, but instead, a defining moment in Radio. Our collective efforts can lay the ground work for a new and improved sturdy, resilient industry. It may be difficult to believe while things are so tough, but I believe, as dark and bleak as it looks, there is the possibility that Radio is on the verge of its finest hour.