

# A Study of FM Talk: Radio's Next Wave

**Fact 1:** According to BIA analysis, last year in 16 of the 20 Top U.S. Radio Markets, lower ranked AM Talk formats generated more revenue than higher ranked FM Music Formats.

**Fact 2:** According to Arbitron, News Talk/Spoken Word is the #1 most listened-to format in the country and accounts for 17.4% of all radio listening.

**Fact 3:** According to Arbitron, 80% of all radio listeners are tuned to the FM Band, and yet, despite this fact, most Talk Radio is on the AM band.

A few months ago...Fresno had one NewsTalk station: KMJ  
In March they flipped an FM to talk.  
Smart move, re-branding it The FM KMJ.

**105.5 FM**  
**The Truth**  
**Fresno's FM Talk**

In May, Fresno got a second FM Talker  
This new FM Talker launched with an all syndicated line-up  
**Mancow in the Morning**  
**Laura Ingraham**  
**Jerry Doyle**  
**Michael Savage**  
**Rusty Humphries, Curtis Sliwa, Phil Hendrie, America's Morning News.**

Over the last few months, the floodgates have opened...  
Mobile now has a new FM Talker-Tyler  
Texas now has 2 FM Talkers Chattanooga  
and New Bern now have 2 FM Talkers.

Salisbury/Ocean City now has 3 FM Talkers  
KRMG AM is now AM and FM in Tulsa.

**THESE ARE MAINSTREAM TALKERS, DOING WHAT AM DID FOR YEARS. IT WORKS EVEN BETTER ON THE FM BAND.**

Most recently, we got another FM Talker right in Clear Channel's backyard...  
San Antonio



This report is extremely critical when you consider the following events are affecting terrestrial broadcast groups and companies like yours who are faced with:

- Stagnant economic growth
- New media platforms that are competing against terrestrial music stations
- The necessity to cut overhead costs in order to maintain cash flow and maintain or improve "stick value."

First of August, look what happened in Denver.



The economy, war, politics, and high-profile personalities have made Spoken Word the #1 rated radio format in the country. It is inevitable that FM Talk will continue to thrive simply because there is still a real void of FM Talk in most major radio markets. A tipping point has come, and the inevitable transition is occurring even now, due to the success in many top markets where FM Talk has settled in and is growing exponentially.

The broadcast group or stations who embrace FM Talk first, will be the victor in terms of ratings, revenue and the resilience to withstand the loss of the ever-diminishing music audience.  
Let us now address the viability of FM Talk for your market.

**Why should anyone consider flipping an FM music station to FM Talk?**

In the primary "money demo" of Persons 25-54 audiences, not only does mainstream FM Talk thrive, but the time that it takes to grow audience is much shorter than the AM Talk model. Why? FM has much more "foot traffic", in fact, four times more audience than on the AM band (see fact #3).

**What conditions indicate the time is ripe for a flip to FM Talk?**

If you have a poor performing music station or if you are in a market where there might be just one or two AM Talk stations, and at least one of them is outperforming your low performing FM music station, flipping to Mainstream Talk makes economic and programming sense.

**Can FM Talk generate more revenue than music formats?**

News Talk formats have 50% to 100% more sellable inventory than music stations, FM Talk has a real ability to perform quickly in ratings and revenue, owing to the reality that 80% of all listening occurs on the FM Band. Talk Radio has the highest power ratio of converting listeners into consumers of products and services your advertisers want to promote.

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## How do we know FM Talk would be economically viable?

Follow the money. In New York, advertisers allocated \$197,300,000 towards Spoken Word formats – dollars spent on the AM band because there is no FM Talk in New York, despite the fact that each week, according to Arbitron, 7,622,000 listeners listen to Talk Radio. In Philadelphia, 2,603,000 listeners on average listen to Talk Radio each week; advertisers allocated over \$58,000,000 towards Spoken Word formats – all of it on the AM Band, and in Detroit, 1,943,300 weekly listeners tune in to Spoken Word formats, ad buyers placed \$26,600,000 on AM Talk stations in 2007, according to BIA.

If advertisers were willing to allocate these kinds of dollars to AM Talk and/or News stations in a given market, FM stations would be seen as a much more attractive ad-buy environment simply because there is more potential audience to be gained.

## Where is FM Talk successful?

As of 2009, there were at least 40 U.S. Radio markets where one or more Mainstream FM Talk stations are listed in the top 10 rank or higher with Persons 25-54 demos, including 6 FM Talk stations in the top 20 radio markets.

## Previous companies have tried FM talk and failed. Why?

Specifically, in 2005 CBS/Infinity did not use a proven model and instead, launched the untested "Free FM" model across several Top markets. Stations who use successful programming models have proven it can and does succeed on FM. Consider KIRO, Seattle, WTOP, Washington, KSL, Salt Lake, KTAR,

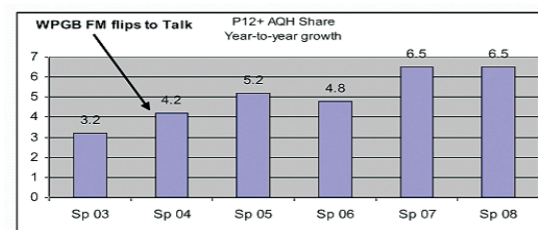
Phoenix, WOKV, Jacksonville, WHIO, Dayton, WTDA, Columbus and KFH, Wichita, just a few examples of proven AM programming models that work on the FM Dial.

Another killer FM Talk lineup  
**Mancow, 6am-10am**  
**Neal Boortz, 10am to 1pm**  
**Jerry Doyle, 1pm to 4pm**  
**Michael Savage, 4pm to 7pm**  
**Rusty Humphries 7pm to 10pm**  
**Curti Sliwa, 10pm to 1am**  
**Phil Hendrie, 1am to 4am**  
**Phil Valentine, 4am to 6am**

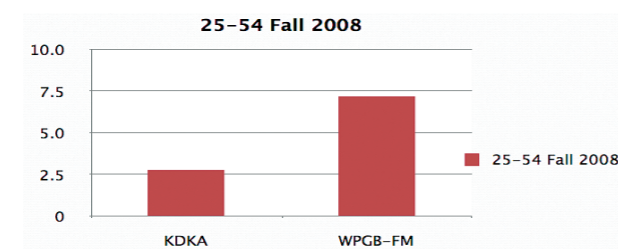
## How fast does FM Talk grow?

Data suggest **two to three** Surveys is the time it takes to see immediate growth. For example, we looked at seven unique markets where a new FM Talker was introduced, or an AM Talker began simulcasting on the FM band.

**WPGB FM Pittsburgh** flipped from Urban to Mainstream FM Talk in Spring 2004. In less than one year AQH gains increased by one full-Share and has been increasing each year since:

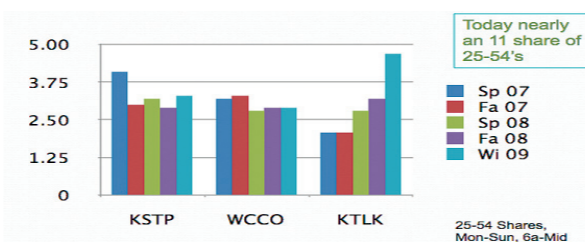


Today it's not even close...

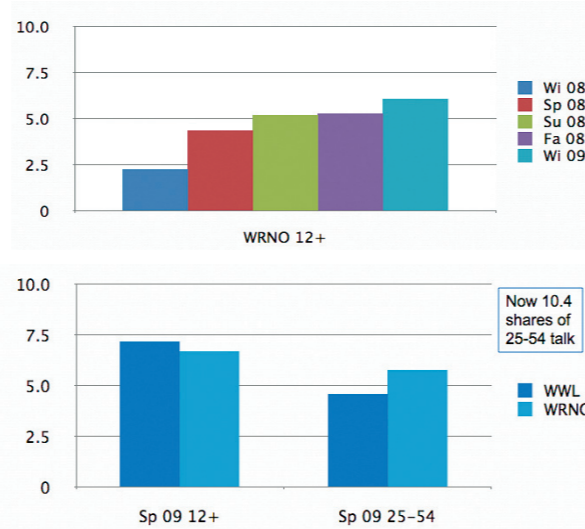


The graph below shows how Clear

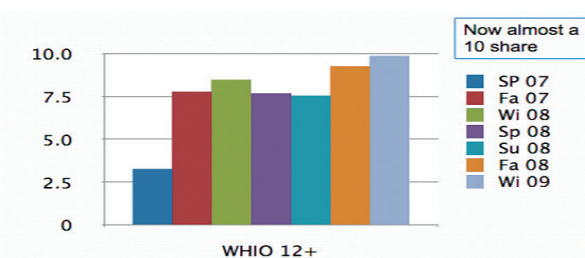
Channels' mainstream FM KTLK FM, Minneapolis began to increase P25-54 as heritage Talkers WCCO & KSTP began to decrease during the same four-survey period:



WRNO flipped to FM Talk, and tripled its 12+ shares, Mon-Sun, from Winter 08 to Winter 09.

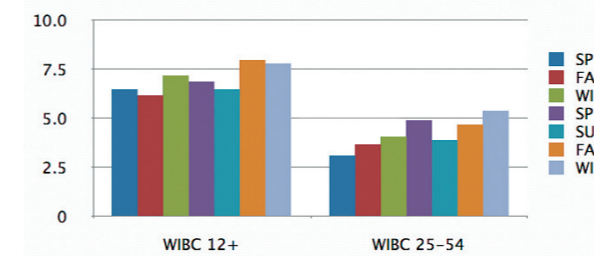


WHIO, Dayton began simulcasting its mainstream AM lineup on the FM in Fall 2007 and tripled their Shares in less than 2 years:

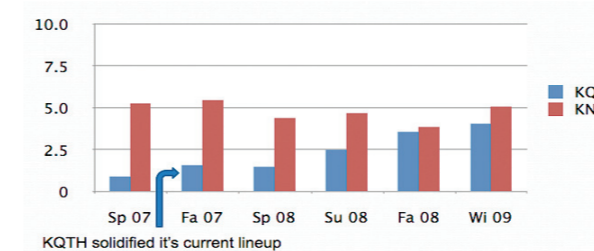


Spring of 07...WIBC just got a new FM Talker for competition. They were not about the let their 50 year heritage go flying out the window. They embarked on a bold strategy to take the heritage AM

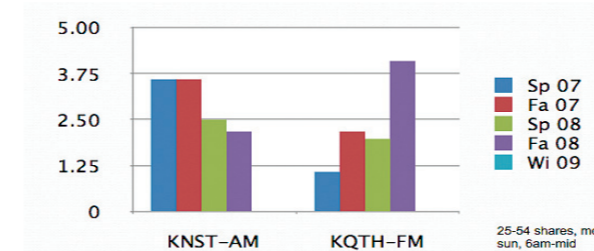
NewsTalker to the FM band. They would then flip the old AM signal to Sports. Within a year, the new FM Talker flipped back to AC.



In Spring 2007, KQTH FM, Tucson flipped from Hot AC to Mainstream Talk. Despite three other AM Talk stations in the market, within two years, KQTH FM pulled almost dead even with KNST, the market leader, 12+:



We also compared the AQH Trend of KQTH FM against the AM Talker KNST. The graph shows how FM Talk began to erode KNST 's P25-54 audience by the second survey and surpassed them in the Fall Survey:



## During this tough economic crisis isn't it a bad time to flip?

With music stations fighting for ever-diminishing market share, and with listeners now more concerned than ever about politics, money and current events, Talk Radio is the format of choice (see fact

#2). Being the first one in, gives you a first chance to grab the FM Talk ocean front real estate.

## I can't afford to properly promote a new format and I will lose the revenue from my existing music format. What if I can't afford the risk?

The great thing about FM talk is available exposure. Since most listeners are on the FM band anyway, your Cume sampling is much greater. And since there are very few FM Talk stations right now, your station would stand out. The time to flip is now, before your competitor does it. The risk of not doing it now means you will be allowing your competitor to grab the FM audience away from you – which means you will be affected anyway. The real question is do you become the agent of change, or the victim of it?

## Is there enough syndicated talent to make an FM work?

Yes. There are over a dozen top syndicated shows in the country. Stations can run fully syndicated, or partial, most of it is barter only – thus direct overhead costs are minimal.

## What are the key-components to a successful FM Talk station?

Talent: Once you have determined your target demo, look for talent that compliments and attracts this demo, and grab the best. Studies show that listeners care less about the location of the host and more about entertainment and likability. In order to create what we call a "viral effect," make sure you have a roster of talent that will get listeners to refer new listeners.

Consistency: Using the AM model, stay with a general genre. Like music formats, don't mix genres, the same is true for Talk. Target your specific demo and stay with it. Too much diversity can create cume train wrecks and confuse your P1 listeners. If you are a sports station, stay sports, if you are a conservative talk station, don't mix in progressive talk. Consistent programming is key.

Information: All things being equal, listeners prefer to have news, local weather, traffic and information that affects them locally. All Spoken Word formats are expected to provide some degree of information that pertains to the area in which they live. Long-form programming is vital, short form local information is the icing on the cake. The good news is Talk formats can evolve over time, so even if your budget doesn't allow for local news or information presence right away, you can build on these elements over time as your station grows in revenue and ratings.

## How can I know if my market can sustain an FM Talk format?

The 17.4% rule: Since we know the national average of listeners who choose Spoken Word (News Talk, Sports, All news, etc), look at your market. If there is only one or two AM Talk and/or Sports Stations who are averaging a combined 10 Share or less, this means there is still upwards to 5 to 7 Shares of available audience in your market.

## Conclusion

- Spoken Word is the most popular radio format.
- Spoken Word has 50% to 100% more sellable inventory.
- Spoken Word FM's are outperforming

AM competitors in almost every market where the two exist.

- Music is becoming more and more of a commodity that a listener can get from multiple media platforms.

- Personality is unique to that the station who owns it.

These five statements are factual and demonstrable indicators that Talk Radio will continue to grow and thrive on the FM band. Just as music formats transitioned to the FM band in the 60's and 70's, Talk Radio is just now making this same transition.

In the Fall 2008 Arbitron Survey, the following markets FM stations outperformed their AM competitor

#### **Boston**

WTKK FM 4.2 Share  
WRKO AM 3.2 Share

#### **Pittsburgh**

WPGB FM 7.2 Share  
KDKA AM 2.8 Share

#### **Minn/St. Paul**

KTLK FM 3.3 Share  
KSTP AM 2.9 Share  
WCCO AM 2.9 Share  
WWTC AM 0.9 Share

#### **St. Louis**

KFTK FM 3.8 Share  
KMOX AM 2.8 Share

#### **Washington\***

WTOP FM 5.8 Share  
WJFK FM 2.5 Share  
WMAL AM 2.2 Share

#### **Salt Lake City**

KSL AM & FM 8.9 Share  
KNRS AM 5.5 Share

#### **Orlando\***

WTKS FM 6.4 Share  
WDBO AM 3.8 Share  
WFLF AM 2.2 Share

#### **Nashville\***

WWTN FM 5.0 Share  
WLAC AM 2.4 Share

#### **Providence**

WPRO AM & FM 7.1 Share  
WHJJ AM 1.6 Share

#### **Akron**

WNIR FM 6.4 Share  
WHLO AM 2.3 Share

#### **Jacksonville**

WOKV AM & FM 9.8 Share  
WBOB AM 0.8 Share

#### **Charleston**

WSCC FM 4.4 Share  
WTMA AM 1.6 Share

#### **Tucson**

KQTH FM 4.1 Share  
KNST AM 2.2 Share

#### **Gainesville\***

WSKY FM 5.7 Share  
WRUF AM 1.3 Share

(Fall 2008 Persons 25-54 AQH Share - 6am to Midnight Mon - Sun)

(\*Summer 2008, Persons 25-54 AQH Share- 6am to Midnight Mon - Sun)

Expect to see more major FM talk stations coming on board in the months ahead.

Syndicators offer a variety of proven performing shows, and the revenue and ratings potential is just too great to ignore. The available Talk talent choices make this more affordable than ever before. For FM Talk, it is the perfect storm.

Obama does a favor for his record producer buddies.

Radio stations may soon pay thousands of dollars in performance royalties to the record companies. Talk stations will be immune.

#### **Follow the leaders**

**KMJ** in Fresno just did it.

**KRMG** in Tulsa just did it.

**WHIO** in Dayton did it and doubled ratings

**KTAR** did it, and then flipped AM to sports

**KIRO** did it, and then flipped AM to sports

**KSL** did it and doubled ratings

Denver, Fresno, San Antonio, Mobile, Tyler, Columbus, Louisville

New FM Talkers...More are coming, every week

In many markets there will be 2 FM talkers, just like there are many markets with 2 successful AM talkers.

***There has never been a better time to launch FM Talk the question is: will you get there first?***

For more information on our study,  
please contact:



(866) 876-5077