

DEMERS DISPATCH

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STATE OF THE FORMATS

It's a New Year – a great time to look back on what we have learned and an even better time to look forward to new challenges and greater success. We've decided to borrow a page from the world of politics (the "State of the Union" address) and share with you our sense of the current state of our medium as measured by the health of its Programming efforts.

This issue of the DeMers Dispatch will showcase our company's perspective concerning the current state of radio as defined by a number of important formats. With increasingly nuanced format permutations, this series of articles will not pretend to cover them all in perfect detail. We will attempt, however, to give you an overview of the most popular format choices, with a special emphasis on our consultancy's primary area of expertise – the world of Rock-based formats.

We'll begin our review with the good news – a look at those formats that have shown a strong propensity for growth over the

past several years. These winning formats continue to improve and the outlook for further success is bright.

The second group of formats constitutes those we consider to be very much in a state of flux. Some of these are formats that are

cyclical in nature. In addition, we'll look at several major format entities that find themselves currently under attack.

Looking ahead, we'll share some thoughts regarding emerging format trends. These programming concepts may not yet be proven or as pervasive as the more successful entities...but they very well may be the next big thing.

We've prepared a more in-depth PowerPoint presentation of these materials that also includes several formats not covered in this version of the report. If your company

would like a customized, in-person presentation of "The State of the Formats," please contact us via e-mail (info@demersrocks.com) or telephone (610-363-2636) and we'll be glad to make arrangements.

**"We all need
to keep
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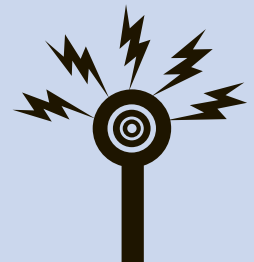
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GLORY DAYS

These indeed are the best of times for a good group of strong performing radio formats. Not only have these Programming efforts proven to be successful in the past, there is every indication that these will be key competitive formats for the foreseeable future. We'll begin this review with a look at one of the fastest growing format derivatives in recent years.

ACTIVE ROCK

The emergence of Active Rock snuck up on many, simply because this appears to be such an EVolutionary (rather than REVolutionary) position. While nearly half of the stations that once were known as AOR now describe themselves using the term, Arbitron has no distinct format designator for Active Rock.

While no one really knows which station in the mid-Nineties "went Active" first, the movement began simply as a reaction to opportunities when Mainstream AOR stations over-corrected to defend the Classic Rock side of their turf. The key to Active Rock's success? It really was a simple matter of embracing the newer music and shifting back to the original AOR target of 18-34 Males.

With the music on the cutting edge, the next logical evolution was to embrace an on-air approach that supported the music. At this point in the evolution of Active Rock, the format was fortunate to embrace outrageous air talent and develop "shocking" morning shows. Picking up the gauntlet thrown down by the likes of Howard Stern and others, Active Rock stations have adapted syndicated talent as well as some great "grow your own" local shows that are extremely edgy and marry well to the lifestyle orientation of the entire format. Many traditional rock stations missed this opportunity because they were afraid that this younger, more outrageous, talent would alienate older listeners.

How successful has this strategy been? 60% of Active Rock stations (as designated by Mediabase) were #1 with Men 18-34 this past Spring – and this includes markets like Dallas, Philadelphia, Baltimore, Denver, Tampa, Kansas City and so on. The bottom line is that Active Rock IS the AOR of today – it is the mainstream choice of the natural Rock target and as long as it does not fall into the trap of "growing up" and becoming a destination format, the future looks bright for more growth.

CLASSIC ROCK

When we started DeMers Programming back in 1986, it seemed that the ONLY format anyone was interested in trying was Classic Rock. Here was a big body of music that an even bigger generation was likely to embrace as the reflection of their own heritage.

One of the keys to Classic Rock's success is that these stations play what is generally perceived to be "the good stuff." Of all the formats represented here, perhaps only Classic Rock enjoys the cross-generational recognition that the format's music IS the best. Even when testing young demos that are generally Alternative or Active Rock P1 listeners, there is a respect and recognition for the big bands – the Beatles, Stones, Pink Floyd and Led Zeppelin, etc.

Classic Rock had an impressive start in the mid-eighties but has enjoyed even more success in the past decade. The richness of this vein of Rock is so great, that, even as a flanker, two distinct variants of Classic Rock have further emerged.

CLASSIC ROCK THAT ROCKS

The closest cousin to traditional Classic Rock, this format is targeted toward the younger siblings of the now aging Baby Boom target. As a flanker, stations taking on a harder edged Classic approach still have more than two decades of great music available to them. Much of this music is by artists that are not perceived as a core match for traditional Classic Rock stations – AC/DC, Guns 'N' Roses, etc.

While generally strong during the start-up phase, the key to maintaining ratings growth with a format splinter this thin is developing stationality beyond the music itself. While that could be said about almost any radio station, the narrow music appeal is such that the personalities and packaging for a Classic Rock That Rocks station is even more critical to long-term success.

The best situation for deployment of the harder Classic Rock approach is in tandem with another Gold-based format. Coupled with a Classic Hits station, Classic Rock That Rocks can be part of a formidable duo causing difficulties for more traditional AORs and Active Rock stations, as well.

CLASSIC HITS

While we consider the format to be in its Glory Days, it takes careful execution and understanding of the format's nuances to make this a success. The first key is understanding that Classic Hits is NOT Classic Rock. While there is certainly going to be crossover in terms of titles selected between a station that positions itself as Classic Rock and one that might be "the greatest hits of the sixties and seventies," the two are distinctly different in terms of orientation, execution and focus.

Perhaps the most fundamental difference is that Classic Hits is a song-oriented format. Classic Rock is very much an artist-oriented format. From music selection to presentation, Classic Rock's roots are in AOR. In this regard, Classic Hits is more like an Oldies station, stimulating song-specific memories.

But don't call these songs Oldies. This is the music of a generation who listened to an anthem with the lyric "hope I die before I get old." No recent generation has spent more money trying to beat the reaper. Chasing this illusion, Classic Hits provides a semi-nostalgic framework without the tired "memory lane" feeling some Boomers get from listening to the Beach Boys. Classic Hits feeds the memory music fix but smart stations stay contemporary in their approach.

(continued on page 6)

UNDER PRESSURE

Another group of formats constitute those we consider to be going through a considerable amount of stress. In some cases, this is simply the nature of the format choice (those programming efforts that are extremely dependent on Current music, for example). Other formats are simply under attack, with more format flankers taking important pieces of the primary format's pie.

COUNTRY

While there's no question that Country remains a strong performer in many markets, national format shares have declined over the past five years. The recent Katz National Format Averages study shows Country going through a down cycle with declining Time Spent Listening. The crossover success of Faith Hill and Shania Twain mean broader acceptance but it also means that the "true" country fan is not as satisfied.

Like other contemporary-based formats, when the product is weak — the format declines. True to its cyclical nature, there are some encouraging developments on the horizon for Country with new artists who have molded a more "Traditional" sound. The good news is that, while the Country format bends; it is unlikely to ever break.

ADULT CONTEMPORARY

Like Country, AC is still a blockbuster format option. However, traditional AC also has declined in recent years. Unlike Country, and more like Rock, AC has been going through a period of fragmentation, with distinct format niches developing. Initially, it was the success of the upper end attack by an increasing number of successful Soft AC stations during the late Nineties. While that growth has recently leveled off, the Soft AC stations that remain still maintain consistent shares.

The real challenge, however, emerged on the younger side of

the format with the growth of Hot AC. In the Nineties, Pop Alternative acts (Matchbox Twenty, Goo Goo Dolls and the like) found their way to the mainstream through stations evolving toward Hot AC. Many traditional ACs, afraid to alienate their core, initially missed this opportunity, and the flanker saw success.

ROCK

Another broad format definition that has found itself increasingly fragmented over the past decade is Rock (also known as AOR). In fact, perhaps no other format is fraught with seemingly endless debates as to what "type" of Rock a particular station may or may not play. Like AC, this rather broad format designator still maintains a core of stations that one might consider "true" to the definition of AOR. In truth, however, most of the action throughout the past ten to fifteen years has been on the flanks.

One of the primary problems in the Rock world has been increased fragmentation. The remaining mainstream Rock stations often find themselves flanked on both sides with one competitor coming at them from the Classic flank while an upstart Active Rocker attacks the younger end.

These Mainstream Rockers are increasingly threatened by the mere fact that they seem somewhat musically "undefined" when compared to their more clearly outlined competitors. The stations that are still AOR main-

stays are a strong lot with plenty of heritage and often marked by bigger-than-life morning shows. However, in the Top Ten markets, the Rock leader in each is a format variant — Classic, Active or Alternative.

The other factor that really put a hurt on many Mainstream Rockers was the evolution of former Rock Jocks into Shock Jocks. There's no question that the shock talk element is often a key to a successful Active Rocker. A Rock generalist without a powerhouse morning show is almost destined to be a weak player.

OLDIES

By definition, Oldies is a "destination" format — one that ages along with its target. Because of the buying bias of Madison Avenue (one that devalues the 55-64 demo), Oldies stations are now victims of their own success. By keeping faith with the aging edge of the Baby Boom generation, over a third of the format's national AQH is above 55. There are also troubling signs of declining TSL among the remaining 25-54s.

Some Oldies stations have successfully re-centered their stations on the early to mid Sixties, lost a lot of the Fifties doo-wop and have managed this balancing act pretty well. Clearly, like so many of their listeners, Oldies stations will do anything to halt the aging process.

Others are trying to "fix" Oldies by changing the recipe for success. Some Oldies stations have moved

more dramatically by introducing more Classic Hits—Pop songs from the Seventies—into the mix. The jury is still out on these moves. There is crossover linkage—especially in the 35-49 component of the Oldies audience—with the appetite for Seventies Classic Hits. In markets whose size can support only one Oldies option, it may be that Classic Hits becomes the natural demographic successor to Oldies.

ALTERNATIVE

Although the music undergoes constant change, the Alternative format has remained remarkably stable. Both the number of stations, and the average age of Alternative listeners have remained relatively constant over recent years. Still, this is an area that is becoming increasingly blurry. For example, just when does an Alternative station really become an Active Rocker? Additionally, the younger end of the target has increasingly turned to CHR as well as Rock-based formats.

AAA

Triple-A or Adult Album Alternative has undergone quite a metamorphosis over the past few years, becoming more contemporary in focus. This is a relatively small format niche — the number of stations remaining nearly constant nationally for years. There are some interesting competitive developments in markets where the format has been successful (see "AAA Gold" page 4).

LEARNING TO FLY

There are a number of newer format trends that we see on the horizon. Some exist as full-fledged local formats. Some are network options. Still others are single station experiments we are watching closely. In any case, there are fresh ideas out there and we all need to keep an ear out for what's working and what isn't.

RADIO DISNEY

We see an emerging opportunity with Children's Radio. First, the product is there — there is a growing body of research that shows the Disney programming formula has appeal. Second, there is an audience. Any parent can attest to the amazing ability children have to enjoy repetition and the Disney approach exploits this to the max while being an amazing marketing machine for the mouse.

The bottom line is — will that audience be measured? Arbitron says yes, it's just a matter of time ... and the people meter. Finally, in-band digital may actually be on the horizon. Like a rising tide lifting all boats, suddenly those "worthless" AM stations may enjoy some parity with the FM band. This is definitely a far horizon play but it is out there.

CONTEMPORARY CHRISTIAN

Contemporary Christian is a format that has been gaining an increasing number of converts in recent years. Salem's branded contemporary Christian format, the Fish, is swimming upstream and spawning new affiliates at a good clip. There are examples of major market Christian stations becoming very competitive with Mainstream AC powerhouses and putting up strong 25-54 numbers. The format is showing it has a life in markets both large and small. Simply, a lot of expertise has been applied to a growing body of music. The core audience for this format is intensely loyal with TSL numbers rivaling that of some Urban based formats.

HISPANIC

All things Hispanic from Salsa to Santana have been hot for the past few years. The huge growth in Hispanic based formats is obviously a cultural phenomenon but one that is growing at an incredibly fast pace. Hispanic radio differs depending upon the dominant ethnic population in each region (Mexican for California and the Southwest, Cuban for South Florida and so on). One key factor in the growth of Hispanic formats is the fact that many of these listeners have fewer media options that match their cultural reference point. The result? Extreme loyalty and high TSL.

AAA GOLD

Triple-A Gold is what we have chosen to call an emerging number of stations in major markets such as Bonneville's "Drive" in Chicago and San Francisco and Entercom's "Mountain" in Denver. Each of these stations refers to itself in their Arbitron SIPs as either Classic Rock or Classic Hits, but we really see these as being Classic-based Triple-A stations. As such, we see this as a small niche — not that these stations can't enjoy success; it's just that the number of viable markets is somewhat limited.

The key here is that you can't build a flanker in a vacuum. In each of the example markets thus far (Chicago, San Francisco and Denver) there is a long heritage of successful Triple A programming — KFOG in San Francisco, WXRT in Chicago and KBCO in Denver. There are few other markets with this kind of heritage but we still expect at least a few more "Drives" to pop on (and off) the dial in the coming year.

RHYTHMIC ALTERNATIVE

And finally, a real long shot but something to keep an eye on is a variant we call Rhythmic Alternative. There has been significant crossover of Rhythmic Hit components into the worlds of Alternative and CHR in recent years.

We are seeing market situations where the heritage listening choices for 18-24 Men have not been the traditional Rock-based formats. Instead, there has been a strong dominance of Rhythmic based hit formats over the past several years. Therefore, tastes among the traditional Alternative demo target clearly lean Rhythmic and not Rock.

The bottom line is that young white males have been wearing their ball caps backwards and listening to rap for years. During the Nineties, many Rock stations did NOT do their job of building a base of new listeners. The Active Rock movement and its re-targeting toward Men 18-34 is a very recent development. In the meantime, nearly a generation of young males has been looking for loud, rebellious music—and that need has been filled by Rap—not Rock. At the very least, we see a continued blurring of the lines between Rhythm and Rock in the coming years. **DD**

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The DeMers team of consultants brings the benefit of more than seven decades of successful Programming and Marketing experience to client stations. We share our expertise in a variety of formats including Mainstream Rock, Active Rock, Classic Rock, Classic Hits and Alternative. Every DeMers Programming consultant has actually sat in the PD's chair and successfully Programmed at the local level.

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HOT AC

Another format showing great signs of growth is Hot AC. This segment of the Adult Contemporary spectrum has its roots in the Lilith Fair and Pop Alternative movements of the Nineties. Much of the music that proved to be “too Pop” for hip Alternative rockers and “too dangerous” for traditional ACs provided an opportunity for stations wishing to develop a young, slightly hip female following.

Like most contemporary formats, Hot AC is heavily dependent on a flow of good Current product to fuel the format. Luckily, after a slight downturn for a couple of years, the current crop of female-friendly tunesmiths is generally providing a large number of hummable hits — a combination of format-exclusive hip tracks combined with CHR friendly songs that have their start at this format.

Another great element contributing to the format’s success is that it is both “hip” and “safe.” The target—generally females 25-39—wants to feel hip and “with it.” That’s the appeal of having a lot of newer music in the mix. There is a certain veneer of “hipness” to the music. Many of the artists that make up the core of the format have their roots in Alternative and feel a lot edgier than the almost formulaic Pop sounds that they actually create. There are “bad boys” in the format but they are “pretty” bad boys. Image is almost as important as the music in most contemporary hit oriented formats today.

At the same time, the tunes are mostly clean, hummable catchy pop fluff. No “nasty” rap and no “loud guitars,” — it’s safe! With the heavy influence of Rap on CHR, Hot AC offers a sort of safe haven for those listeners whose appetite for rhythm is somewhat limited.

RHYTHMIC CHR

CHR is back in a big way since the late 90s, re-orienting itself somewhat to deal with the emergence of new rhythmic forms (most notably the explosion of Hip-Hop). What really has happened is the emergence of a new form — Rhythmic CHR. In fact, this CHR variant is responsible for much of the growth that the CHR format in general has seen in the past five years. The emergence of this format means that more markets now sport two instead of just one CHR — one leaning Pop, the other leaning Rhythmic.

URBAN

In addition to rhythmic format variants like Rhythmic CHR, true Urban programming, and nearly all formats targeting African Americans, have shown growth throughout the late Nineties to today. There are more format variants today—such as Smooth Jazz, Urban AC and even Gospel—which is a strong sign of strength. Several of the larger broadcast groups have really made a science of focusing on the broad ethnic target and creating multiple format winners in the same market.

TALK

The Talk formats continue to show strength. On the AM side, Sports Talk has moved well into the mainstream, not only with major market success stories but strong nationwide coverage through networking opportunities. FM Talk showed signs of really exploding at the beginning of 2002 and then, thanks to Opie and Anthony, it *really* exploded. Still, there are some new talk shows hitting the air and making the grade. There are more than enough Rush Limbaugh and Howard Stern wannabes to fuel the passion for Talk for some time to come.

Another major factor contributing to the strength of News and Talk formats today is simply — the times we live in. Consider the climate of world events: the threat of terrorism at home, the risk of war abroad, and even the unpredictability of severe weather patterns ensure that News and Talk-based stations will continue to have their share of success. **DD**



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