

**OVER-THE-AIR RADIO SERVICE
TO DIVERSE AUDIENCES**

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Executive Summary

Radio stations in local markets battle daily to attract and retain listeners. That competition is largely driven by adjusting and improving the programming provided by these radio stations to local audiences. Consequently, local radio broadcasters are constantly examining their stations' programming and evaluating opportunities to alter that programming in order to better serve their local communities, attract larger audiences and generate greater revenues.

Following passage of the Telecommunications Act of 1996, radio station owners began to provide more diverse types of programming to listeners. A number of previous studies have confirmed that the post-1996 ownership changes in the radio industry resulted in this offering of more varied types of programming to audiences.

One purpose of this paper is to update those earlier studies to see whether the trend toward greater programming diversity has continued. The results of this update clearly show that the trend continues:

- The number of general programming formats provided by local radio stations increased by 7.5% since 2001.
- Markets of all sizes saw substantial increases in the average number of specific programming formats provided, with an average 22.2% increase since 2001.
- Across all markets since 1996, the number of general and specific programming formats has increased by 16% and 36.4%, respectively.

Another purpose of this paper is to further analyze whether the terrestrial radio industry is providing additional services for diverse audiences and the total population as a whole. That analysis demonstrates increased services to different demographic groups such as:

- In just the last six years the number of U.S. Spanish-language radio stations increased by 45.5%.
- Over half (50.4%) of the Hispanic population in Arbitron markets have over-the-air access to ten or more Spanish-language radio stations, with more than three-quarters (79.5%) having access to six or more Spanish-language stations.
- Nine of the top ten Asian markets (in terms of total local Asian population) have at least one Asian-programmed station in their market.
- Currently, 72.1% of African Americans in Arbitron-rated markets can receive three or more Urban programmed stations compared to only 61.9% six years ago.
- Over 52% of all African-Americans living in Arbitron metro areas have four or more Urban programmed stations in their markets.
- Since 2000, the number of news/talk stations has increased by almost 21%.

- Nearly 71% of the total population in Arbitron metro areas have at least four news/talk stations in their markets, with 55.5% having access to at least six such stations over-the-air.
- Radio stations throughout the country are providing expanded services with very new and different types of programming, some of which are being provided on multicast HD radio signals.

After updating the previous analyses on radio programming and “digging deeper” into the data, one can easily see that radio station owners are expanding their offerings to serve a broad range of demographic groups. Local broadcasters clearly see opportunities in providing expanded services with new programming to the diverse audiences in their local communities.

LOCAL RADIO SERVICE TO DIVERSE AUDIENCES

Introduction

Radio stations in local markets battle daily to attract and retain listeners. That competition is largely driven by adjusting and improving the programming provided by these radio stations to local audiences. It is important to remember that while radio stations “produce” one product (programming) and actually sell another product (access to audiences), they are closely tied together. The better the product, the larger the audience, and ultimately, the greater the revenues generated by the sale of advertising time. Consequently, local radio broadcasters are constantly examining their stations’ programming and evaluating opportunities to alter that programming in order to better serve their local communities, attract larger audiences and generate greater revenues.

Many observers expected that liberalization of the local radio ownership rules in the 1996 Telecommunications Act would lead station owners to change programming and provide more diverse services, including new types of programming, in local markets as a means to attract greater audiences. With common ownership of multiple local stations, one owner would not want to duplicate the programming of another commonly owned station. Instead, the owner could introduce an entirely new type of programming in the local market or make some modifications to an existing programming format to attract and retain new audiences.

The provision of new radio services did occur as predicted after 1996. The significantly expanded number of programming formats available in local markets since the passage of the Telecommunications Act has been shown by many previous studies.¹ In fact, that expansion of programming variety was greater in markets with greater levels of common ownership.²

One purpose of this paper is to update those earlier studies to see whether the trend toward greater programming diversity has continued. The number of general and specific programming categories will be examined for radio markets of various sizes in that analysis. This paper will further analyze whether the terrestrial radio industry is providing additional services for diverse audiences, including different demographic groups. Specifically, this study will examine the number of Spanish-language stations and evaluate the extent to which those stations are serving this demographic group. Analysis of Asian and Urban programmed stations will also be conducted.

Another important service offered to local audiences by terrestrial radio stations is the provision of news and information. An analysis of news, talk, and information stations

¹ See “Review of the Radio Industry, 1997,” Mass Media Bureau, Federal Communications Commission, MM Docket No. 98-35, March 13, 1998; Mark R. Fratrick, “Format Availability After Consolidation,” August 1999, Appendix B, Comments of the National Association of Broadcasters, In re FCC Examination of the Creation of a Low Power Radio Service, MM Docket No. 99-25, August 1999; “Review of the Radio Industry, 2001,” Federal Communications Commission, Mass Media Bureau, Policy and Rules Division, September 2001; Steven T. Berry and Joel Waldfogel, “Mergers, Station Entry and Programming Variety in Radio Broadcasting,” Working Paper 7080, National Bureau of Economic Research, Cambridge, MA, April 1999; and Mark R. Fratrick, “Has Format Diversity Continued to Increase,” March 26, 2002, submitted as Attachment A, NAB Comments in MB Docket No. 01-317 (Filed March 27, 2002).

throughout the country is presented to demonstrate the extent of these services. Finally, this paper looks at the increased services being provided with the continuing introduction of new programming targeted at niche audiences. Some of these new programming services are beginning to be provided by the multicasting capabilities of HD radio.

After updating the previous analyses on radio programming and “digging deeper” into the data, one can easily see that radio station owners are expanding their offerings to serve a broad range of listeners. Local broadcasters clearly see the opportunities of providing expanded services with new programming to the diverse audiences in their local communities. Offering such expanded service benefits both consumers and broadcasters, as stations increase their audience and potentially earn greater advertising revenues.

Programming Availability

General Programming Formats

Classifying radio station programming into discrete categories is a very difficult task. Programmers at different radio stations adjust their programming so as to differentiate their stations and to be competitive in their local markets. Some of these adjustments may be minor, while others can be very dramatic. For example, an Adult Contemporary station may significantly change its programming by adopting a Hot AC or Urban AC format, both of which would have substantially different musical programming. While acknowledging that there are differences between the programming of similarly classified stations, BIA^{fn} tries to provide

² See Mark R. Fratrick, “Has Format Diversity Continued to Increase,” March 26, 2002, submitted as Attachment A, NAB Comments in MB Docket No. 01-317 (Filed March 27, 2002),

some framework for analysis by categorizing the many different programming formats into nineteen general groups.³

This paper first updates earlier analyses of the changes in the programming services provided by local radio stations by utilizing the general format field in the BIA*fn* database. General format specification for the Spring of 1996,⁴ Fall 1998, Spring 2001, and Fall 2005 (most recent completed survey period covering all markets) were compared. Figure 1 shows the averages for these periods for five market size groupings.⁵

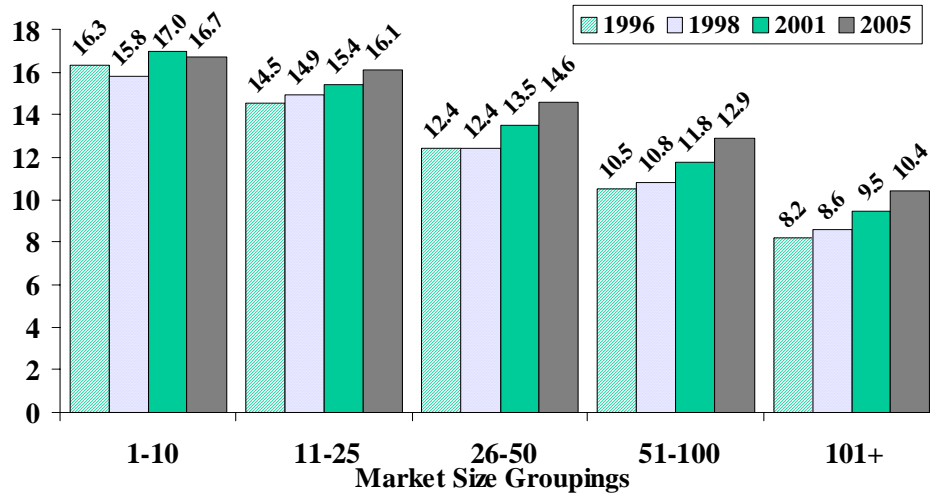
pp. 13-17.

³ These general format categories are Adult Contemporary, Album Oriented Rock/Classic Rock, Classical, Contemporary Hit Radio/Top 40, Country, Easy Listening/Beautiful Music, Ethnic, Jazz/New Age, Middle of the Road, Miscellaneous, News/Sports, Nostalgia/Big Band, Oldies, Religion, Rock, Spanish, Talk, Urban, and No Reported Format.

⁴ While this date was technically after the passage of the Telecommunications Act of 1996, we use this as a proxy for pre-Act formats since most ownership changes occurred after this period. Furthermore, there is little likelihood that formats were changed immediately after passage of the Act for those changes often involve a considerable amount of research which takes, at the very least, a few months.

⁵ The average for the market size range of 11 – 25 does not include Puerto Rico. Arbitron has only started surveying that market since 1999; hence, it would be misleading to include that market in the calculation for 2001 when it was not included in previous analyses. In addition, the level of programming diversity available in Puerto Rico is completely mischaracterized by use of the general format categories. That market has 92 stations, though it only offers four different general formats since 89 stations in that market are classified as Spanish stations using the general format categories.

Figure 1
Average Number of General Programming
Categories by Market Size Grouping



Source: BIAI/n Media Access Pro™

The average number of programming formats has continued to increase across almost all since market size groupings, except for a slight decrease since 2001 in the largest markets.⁶ Nationally, the unweighted market average had 11.6 general formats being offered, a 7.5% increase from the 2001 level (which showed an 8.0% increase from the 1998 level). Overall, during the ten years since the passage of the Telecommunications Act, the average market has seen a 16% increase in services provided to local audiences, as measured by the number of general types of programming offered.

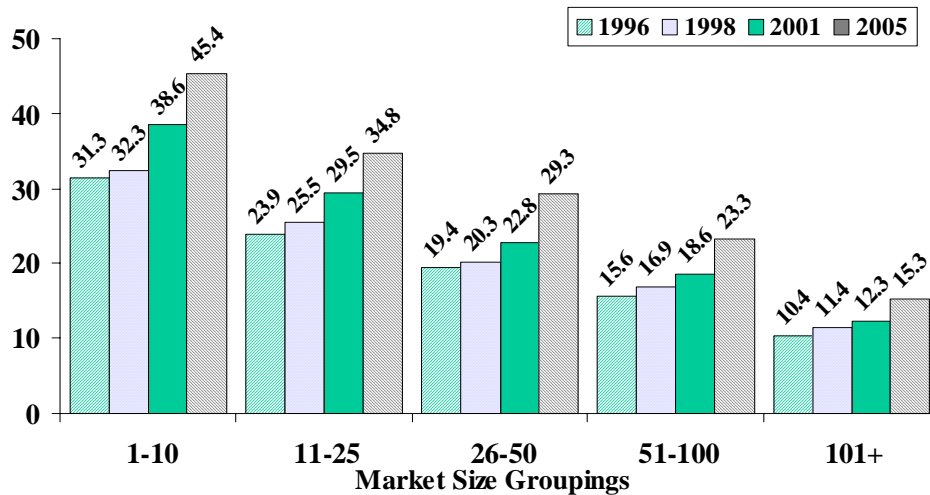
⁶ Given the large number of general formats already being offered in these largest markets, this slight decrease is only a small percentage of the total being offered.

Specific Programming Formats

In their attempt to attract and retain audiences, radio station owners do not always make major changes to their programming. Sometimes they will make more minor changes to differentiate their stations from their local (and now nationally satellite delivered) competition. These changes, while certainly evident to listeners, might not change the station's general format category. For example, a radio station changing from Urban CHR to Urban Adult Contemporary would experience a clear change in its programming, but the station would remain in the Urban general format category. To account for these programming changes, we will next examine the specific format categories (e.g., Urban AC) actually used by station personnel in characterizing their stations' formats. Stations with mixed formats were classified as having different formats than stations with either of the components.⁷ Figure 2 shows the average number of specific programming formats for the five market size groupings from 1996-2005.

⁷ For example, an Adult Contemporary/Urban station was coded as having a different format than either a pure Adult Contemporary or pure Urban station.

Figure 2
Average Number of Specific Programming
Categories by Market Size Grouping



Source: BIAI/n Media Access Pro™

All market sizes experienced substantial increases in the number of specific types of programming.⁸ Nationally, the average market had 19.8 specific formats, a 22.2% increase from the 2001 levels, which was an 11.1% increase from 1998 levels. Across all markets since 1996, there has been a 36.4% increase in the level of services being provided to local audiences, as measured by the number of specific types of programming offered.

⁸ It is very interesting to see the 17.6% increase in the average number of specific formats being offered in the top ten markets. Even though the general format average slightly decreased in these markets, radio station owners are clearly differentiating their programming within existing general format categories.

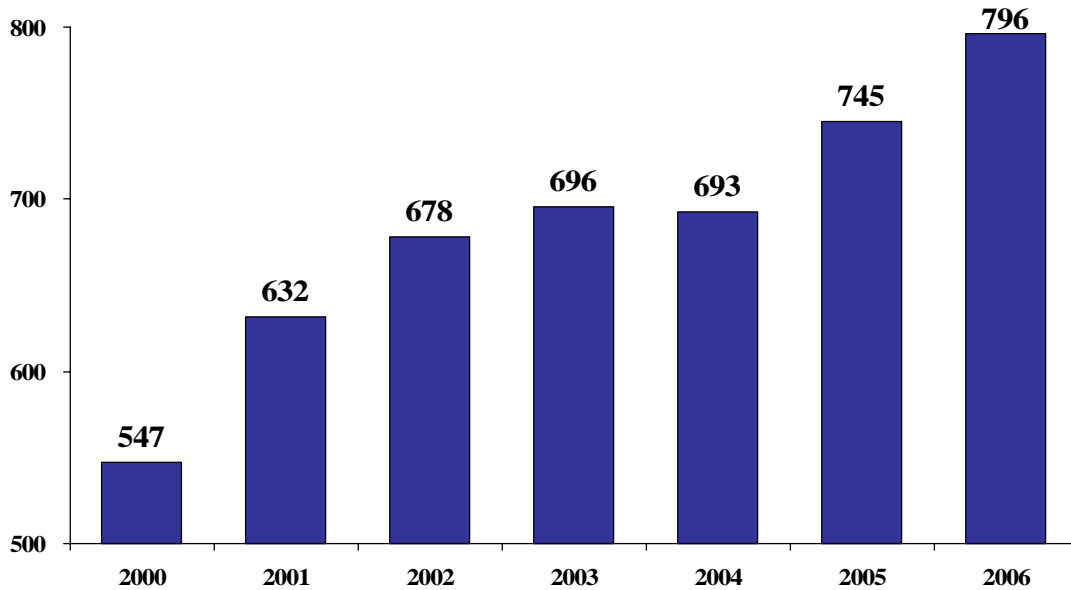
Provision of Specific Programming to Diverse Audiences

The results shown above reconfirms the evidence presented in the previous studies about the expansion in the diversity of programming afforded by radio broadcasters after the passage of the 1996 Telecommunications Act. In order to clearly demonstrate the provision of these expanded services to more diverse groups, we now examine data on radio stations airing several specific types of programming.

Spanish-Language Programming

Many radio station owners are moving towards offering more Spanish-language programming. As the Hispanic population grows in size, the radio industry has responded in providing programming for this demographic group. Figure 3 below shows the recent growth in the number of Spanish-language radio stations.

Figure 3
Number of U.S. Hispanic Radio Stations



In just six years, the number of Spanish-language radio stations has increased by 45.5%.⁹

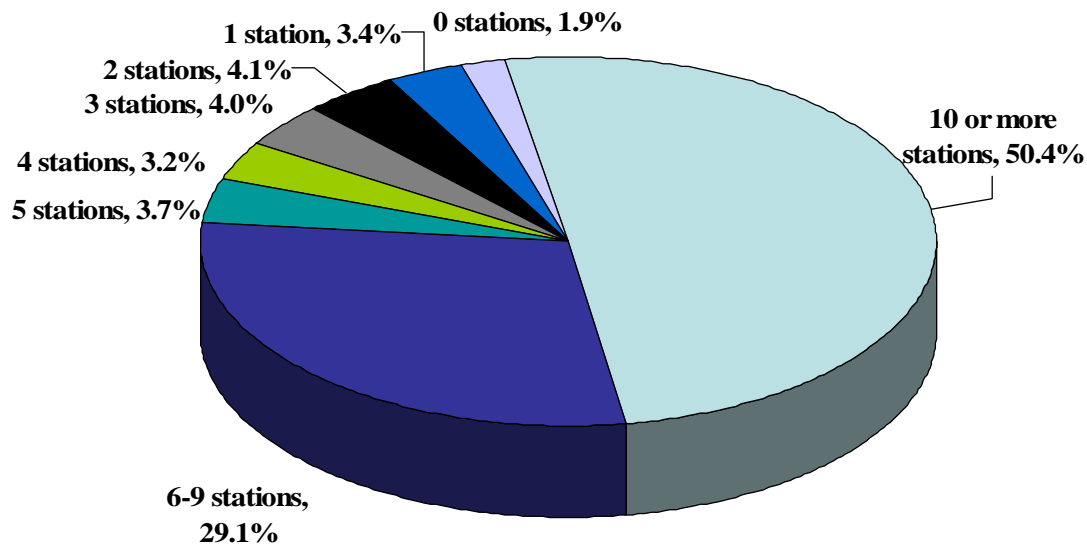
These Spanish-language stations provide very diverse programming. Some are providing Spanish News/Talk programming, while others are providing diverse types of music, including Mexican, Tejano, Tropical, and Ranchera.

Further analysis of the data on the number of radio stations offering Spanish-language programming clearly demonstrates the proliferation of services being provided to this demographic group. Specifically, we examined the percentage of the Hispanic population within

⁹ These numbers actually understate the number of Spanish-language radio stations as there are an additional 147 Mexican licensed, Spanish-language radio stations available to U.S. listeners in markets located on the border.

the Arbitron metro areas served by different numbers of Spanish-language stations. Figure 4 shows that distribution.

Figure 4
Percentage of Hispanic Population Receiving Spanish Programmed Stations



Over half (50.4%) of the Hispanic population in Arbitron metro areas receive over-the-air 10 or more Spanish-language radio stations, with more than three-quarters (79.5%) receiving six or more of these stations.

Asian-Language Programming

While the Asian population is not as large as Hispanic population, the radio industry has recently responded to the growth in that demographic group by providing more services to this audience. There are 21 Asian programmed stations nationally reaching 60.9% of the total Asian

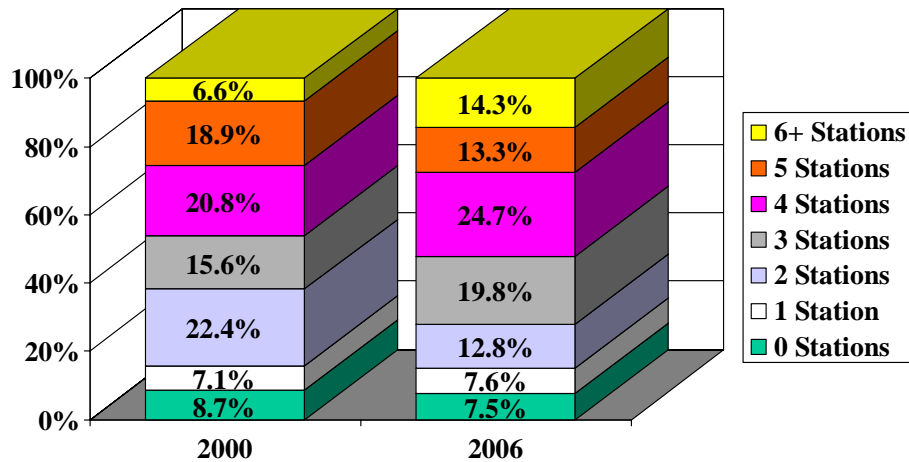
population within Arbitron metro areas. Nine of the top ten Asian markets (in terms of total Asian population) have at least one Asian programmed station.

Urban Programming

African American listeners are also being provided with increased amounts of targeted programming, as more radio stations offer Urban programming. Like Spanish-language programming, Urban stations are quite varied, with stations targeting different demographic groups within the African American community by offering programming ranging from Urban/Talk to diverse music formats, including Urban AC, Urban CHR, Urban/Jazz, Rhythm and Blues, and even Urban/Gospel.¹⁰ Figure 5 shows the percentage of African Americans in Arbitron metro areas served by varying numbers of Urban stations for both 2000 and 2006.

¹⁰ According to Arbitron, “others [formats] are specifically designed to attract a black, or sometimes a broader, ethnic audience, such as Urban Contemporary, Urban AC and Gospel.” *Black Radio Today: How America Listens to Radio*, 2006 edition, Arbitron, Inc., p. 13. In fact, the Black Cume audiences constitute 82.2% and 62.2% of the total Urban AC and Urban Contemporary cume audiences, respectively. *Ibid.*, p. 35, p. 38.

Figure 5
Percentage of African American Population
Receiving Urban Programmed Stations



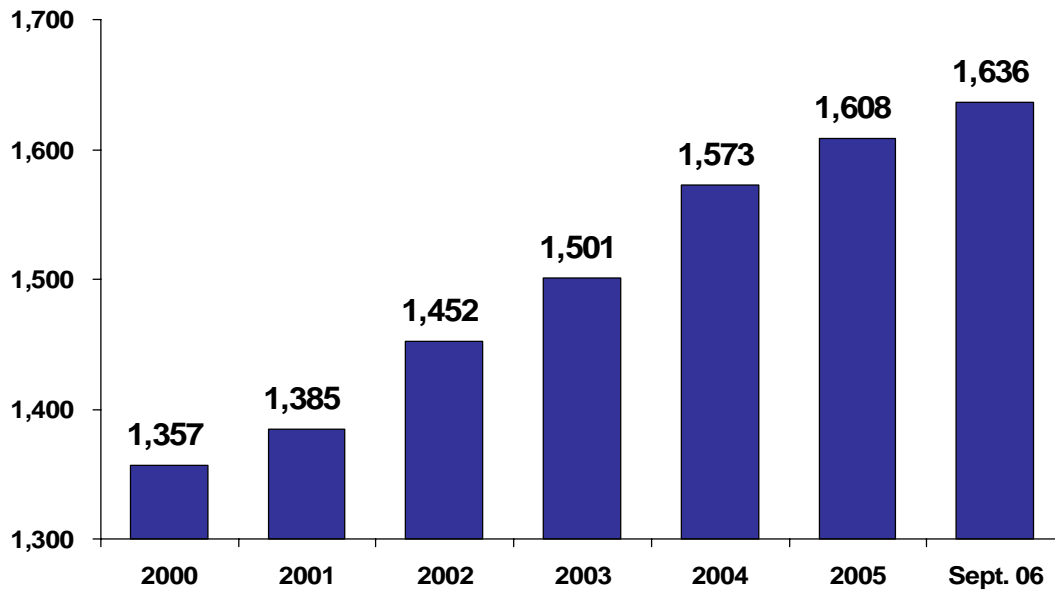
Currently, 72.1% of African Americans in Arbitron-rated markets can receive three or more Urban programmed stations, compared to only 61.9% who could receive at least three or more Urban stations in 2000. More than half (52.3%) of all African Americans in Arbitron metros now have over-the-air access to four or more Urban programmed stations.

News/Talk Stations

In addition to providing more services to diverse audiences, radio stations are increasing the news and information services provided to the entire U.S. population. The number of news, talk, and information stations have increased dramatically in recent years, providing many

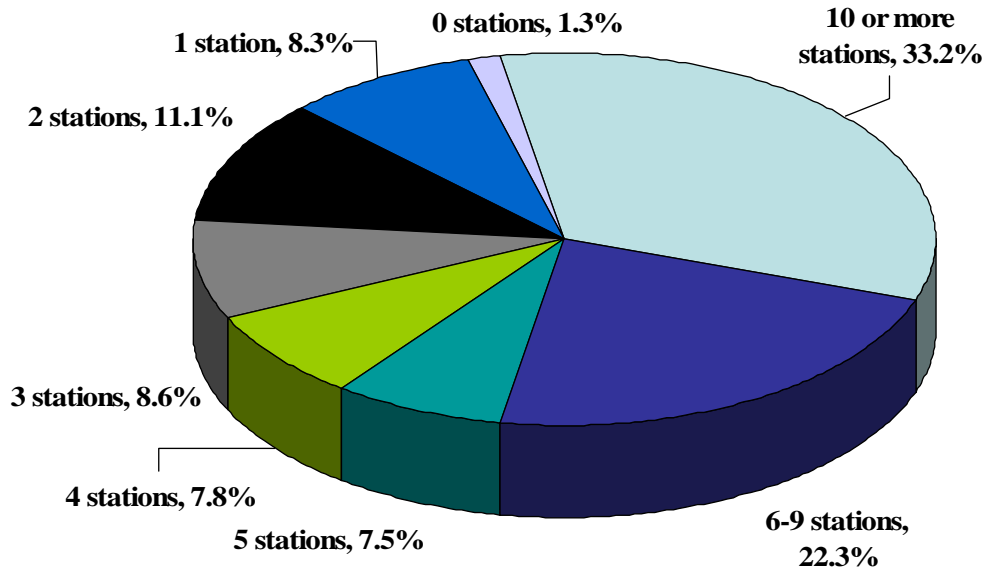
different types of programs. Figure 6 shows the recent history of the number of News/Talk stations on the air.

Figure 6
Number of U.S. News/Talk Radio Stations



The number of news/talk stations has increased by 20.6% in just the past six years. To see the widespread availability of these stations, we examined the number of news/talk stations available in different markets. Figure 7 shows the distribution of the total population in Arbitron metro areas served by varying numbers of news/talk stations.

Figure 7
Percentage of Population Receiving News/Talk
Programmed Stations



More than half (55.5%) of the population in Arbitron metros receive at least six news/talk radio stations and 70.8% have over-the-air access to at least four such stations.

Niche Programming

The above analyses demonstrate the increased services provided by terrestrial radio stations to diverse audiences and the widespread provision of news, talk, and informational programming to all listeners. Radio owners in their attempts to attract and retain audiences are also branching out to offer even more varied programming. Table 1 lists some of the more distinct programming formats offered by radio stations throughout the U.S. in their attempt to broaden their services to wider audiences.

Table 1 – New Diverse Formats Being Offered

Americana	Folk	Portuguese
Asian	Greek	Progressive
Black Gospel	Hawaiian	Reggaeton
Children	International	Rhythm/Blues
Comedy	Korean	Southern Gospel
Diverse	New Rock	Tejano
Eclectic	Polish	
Ethnic	Polka	

HD Radio – Multicasting

Finally, the advent of HD Radio will allow local broadcasters to provide even more diverse programming services. Radio stations will now have the ability to multicast up to three additional programming streams. Given this capability, even more diverse and distinct programming will now become economically viable.

Even though HD Radio is still in its infancy, there are already many stations multicasting additional programming streams. As of August 2006, 352 radio stations in 67 markets are multicasting additional programming, providing 371 additional programming streams.¹¹ These stations are in markets which constitute nearly two-thirds of the population (63.2%) in Arbitron

¹¹ The specific stations multicasting and their formats were obtained from Ibiquity.

metro areas.¹² The additional services being provided by these multicast signals are varied and include previously unprovided formats. Table 2 provides a sampling of some of these formats.

Obviously, at the present time few consumers have radio receivers that can pick up these multicast signals over the air. However, many of these radio stations are also providing these additional services through their web sites. Moreover, the provision of diverse programming through multicasting is evidently a key component of the radio industry's competitive response to new audio market competitors (e.g., satellite radio, Ipods) and shows that even greater diversity of programming will be available to local consumers in the future.

¹² There are four stations that are actually not located in any Arbitron area that are already multicasting.

Table 2 – Sample Formats of HD Multicast Stations

AC Ballads & Love Songs	Extended Play Classical	New/Future Country
Acoustic AOR / Studio HD	Extreme Hip-Hop	Old School Hip Hop
Adult Hip Hop	Extreme Rock & Hip Hop	Power Espanol
All Grunge Rock	Free Buzz	Pride (Gay)
All New Country	Fusion Hispanic & Anglo	Punk Young Alternative
All Salsa - La Kalle Dos	Future Country	R&B Love Songs
Alternating MPS Jazz/New	Groove Salad	Real Oldies
Artist Channel	Hip-Hop Gold	Regional Mexican
BBC Mundo	History of Rock & Roll	RIFF2
Blues	In-Depth News	Romantica
Bubba Country	Indie & Ultra-New Rock	Teaching and Preaching
Classic Country	Jammin' Oldies	Texas Country
Classic Hip Hop	Jazz 24	The Bone 2
Classical	Kiss Espanol	The Current
Club Mix	La Preciosa	The Music Summit
Coffeehouse/Folk	LDS Music	The New Music Matrix
Comedy	Local Program Showcase	The Rapids
Dance Mix	Long Island Country	Traditional Jazz
Dave, Shelly & Chainsaw	Love Songs	Tropical
Dedicated Artists	Max Fever (Disco)	True Alternative
Deep Cuts Classic Rock	Mega Spanish	Upbeat Alternative
Deep Tracks	My HD (all requests)	Weather
Disco	Neo-Soul	Xtreme Hip Hop
Eclectic Chill-Out	New CHR	Young Country
Elliot on Demand	New Country	
Exponential Radio	New Hip Hop	

Conclusion

It is quite evident that local radio stations are facing increased competition from many different sources. To respond to that competition, radio stations have long tried new ways to improve their product, primarily by improving the attractiveness of their programming. Some improvements to programming involve only minor changes, while others involve major format switches. Often those changing of formats will lead to providing programming that previously

was not being provided by any other local radio station. The incentives to provide additional services with new formats were increased as a result of the passage of the Telecommunications Act. These incentives are still present even ten years later.

The increased service offered by radio stations is shown not only by the growth in the number of general programming formats but also by the data on types of specific programming. Radio stations are providing extensive targeted services to diverse audiences, such as the Hispanic and African American populations. Additionally, the provision of news, talk, and informational programming services is also very extensive.

The prospect for further increases in services is also very promising as the transmission of multicast HD Radio programming streams becomes more prevalent. Radio stations have a strong economic incentive to expand their reach by providing more niche programming on these platforms, greatly expanding their local services. These expanded services will be necessary for local radio stations to respond to new competition and will at the same time benefit their local communities.