



TRANSMITTER

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If you don't serve your industry well, it won't serve you well.

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Chairman's Message:

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Greetings everyone, Happy New Year and welcome to 2018!

I am honored to serve each of you as your KAB Board Chair this year. I have spent my entire working career as a broadcaster. Growing up in Nebraska, I remember as a young boy, sitting on the bench in front of the KNLV studios in Ord, watching Bruce Ebmeier do his show on Saturday mornings, while mom shopped for groceries. I was hooked, and knew that was the career for me. One twist to the story. When I stepped into my first broadcast class at college, guess who the professor was, you guessed it; Bruce had left the microphone to teach broadcasting.

38 years later, I'm still learning every day, and I'm as excited as I've ever been about the opportunities we have ahead of us.

2018 holds tremendous opportunity for broadcasters. The Kansas economy has not given us a lot to brag about in the past couple of years, especially with the tremendous slowdown in our number one industry, Agriculture. The good news is, we are starting to see stronger consumer optimism and trust. As broadcasters, we can help push that optimism by being the positive, local voice in our communities and also bring that optimism when talking with advertisers on a daily basis.

2018 will not be without challenges. Television continues the Spectrum Repack, and while we were spared in the ad tax reform debate, it no doubt will show up again. Performance Tax for Radio continues to be an issue and we have to continue educating our representatives on the harm this could do to our industry. Body camera legislation is an important issue in this legislative session being addressed by your KAB. With all issues affecting our broadcast industry, rest assured your KAB will work hard to represent the needs of our broadcast industry. You can be part of that process by keeping us informed on what you're thinking. Your knowledge and input is important to the growth and prosperity of our industry, not only in the great state of Kansas, but across our nation.

I want to thank Ron Thomas for his service as the 2017 KAB Board Chair. Ron is the definition of professionalism and displayed that characteristic in every aspect of his leadership of our association. Lastly, thank you to all former KAB board members who have served this association so well over the

years. One last thought, “Success is not found looking out the window, it is found looking in the mirror.” Thank you for all you do.

2018 Kansas Legislative Issues Facing Broadcasters

Although there is still time for other bills to be introduced, our main focus is on bills we want to see become law – and those we don’t think should be enacted. And no surprise here, they have to do with more transparency. It seems that every session there is someone looking to close records of some kind even though the Kansas statutes clearly state... “It is declared to be the public policy of the state that public records shall be open for inspection by any person unless otherwise provided by this act, and this act shall be liberally construed and applied to promote such policy.”

This year our main focus is to get statutory language defining when body and dash cam video made by law enforcement is available for the public to view. As you probably know we had two tragic cases in the past six months of officers killing an individual and the departments treated the video in very different ways. Topeka sat on theirs for several months, incorrectly sighting a law that said they couldn’t release it. Meanwhile in Wichita, the shooting video was released in less than 24 hours because the Chief of Police felt it was in the community’s interest to see what happened. Our bill to be introduced this week in both the House and Senate would set strict parameters when video should and should not be released. We will keep you posted.

Broadcast Revenue Forecast for 2018

A report from BIA/Kelsey predicts U.S. Local advertising revenue to grow to \$151.2 billion, the largest annual increase in five years. Their U.S. Local Advertising Forecast 2018 has good news for radio, for which Kelsey expects 2018 revenues to be \$15.7 billion, \$1.5 billion from online, and the lion’s share of \$14.2 billion from over the air. That’s up \$0.2 billion from 2017. Going out five years, the forecast anticipates radio revenues to be \$16.7 billion in 2022.

Meanwhile, with big political ads and the Winter Olympics coming in 2018, local TV advertising -- from traditional over-the-air and digital advertising -- will climb 8% next year to \$20.8 billion. TV stations’ digital video advertising revenues will see the best results -- rising 10% from a year ago to \$1.1 billion -- with traditional TV advertising up 7.8% to \$19.7 billion, according to BIA/Kelsey. The company says the total for all local video ad revenue -- from broadcast, cable, online and out of home - - will grow 8.4% to \$32.8 billion.

John David to Take on New NAB Role



Longtime friend of Kansas broadcasters John David, who is EVP of Radio is exiting his day-to-day post as of February 1st and will become a Senior Advisor to the organization. David has been with the NAB since 1989, when he joined the group as VP of NAB Broadcaster Congressional Relations; he became SVP in 1992 and EVP in 1998. Before NAB, he grew his career managing stations in Oklahoma, Missouri and Kansas, and he joined the NAB Radio Board in 1984 to represent Missouri and Kansas. A year after he came off the board in 1988, John was hired as an NAB vice president

NAB CEO Gordon Smith said, “John David has been an ambassador without peer for radio broadcasting, and we’re delighted he’s taking on new duties for NAB. Our affection for John is matched only by the value that he brings as a unifying voice for all radio broadcasters.”

David added that he is “pleased to refocus my advocacy for radio on new directions and projects that NAB has asked me to pursue. I’ll be using my experience and background at NAB to work closely with our impressive staff to help us to continue to win in Washington.”

TV Ownership Rules Are Changing

The FCC has published a summary of the changes in the in the Federal Register. These changes particularly affect the local TV ownership rules effective on February 7. Changes included, among other things, the elimination of the rule that required that there be 8 independent owners of TV stations in a market before any party can own two TV stations, elimination of ownership attribution for Joint Sales Agreements between television stations in the same market (meaning that such arrangements do not count in any analysis of compliance with the local TV ownership rules), and a plan to review proposals to combine two of the top 4 stations in any market on a case-by-case basis. These were part of FCC Chairman Pai’s deregulatory initiatives.

Call For Nominations – Service to America Awards



NAB and the NAB Education Foundation (NABEF) offer an opportunity for local radio and television broadcasters to receive national recognition for their local public service commitment. NABEF honors five outstanding radio and television broadcasters at the annual Celebration of Service to America Awards dinner in Washington, D.C. The 2018 gala event will be held Tuesday, June 12. All radio and television stations and broadcast ownership groups are eligible to apply for Service to America Awards. The deadline is March 9.

Details, including entry rules and award criteria is available at <http://www.nabef.org/events/sta/callForEntries.asp>

Poduska Takes Helm at KCTV TV

(My apologies but this should have been in the December newsletter)



Chuck Poduska was named Vice President and General Manager of KCTV/KSMO television station duopoly in Kansas City, in November. Most recently he served as Vice President of Finance for Meredith's Local Media Group, which consists of 17 stations in 12 markets.

Prior to joining KCTV/KSMO, Poduska most recently spent four years as Vice President of Finance for the Meredith Local Media Group, was Business Manager for KCTV/KSMO 15 years and served for eight years as Business/Operations Manager for WOFL/WOGX in Orlando, which were owned by Meredith at the time; and. Poduska also worked at Meredith headquarters in Des Moines for five years in various audit/financial analysis positions.

He received his Bachelor of Business Administration in Accounting degree from the University of Iowa. He became a CPA in 1985.

We Have Met the Enemy and It Is Us



It's got to be our fault. As local direct clients need us now more than ever, we're still not stepping up to the plate for them. Instead, broadcast stations still seem stuck in a late '90s time warp, still offering clients the same old computer-generated proposals for radio and television schedules (unfortunately at 1980s rates). Are many of us ignoring the fact that in this new digital age, many of our buyers are either cutting back or just not buying radio and television the way they used to?

Ask around. For the local brick and mortar retail client, the threat isn't just Wal-Mart or Sam's Club, now it's now Amazon Prime. Millennials and even boomers are brazenly showrooming our retailers and forcing them to shut down.

The digital threat is real and we in Broadcast are often our own worst enemy. Digital revenues are climbing as broadcast revenues shrink. Coincidence? Hardly. Each week I talk to broadcast managers who are now finally entering the digital playing field. Welcome to the party, even if you are at least a decade late.

Regardless of whether or not you want to believe it, the fact is that formerly good clients are now cutting back or canceling. Why? Because for many clients, their belief systems regarding media have changed. So what to do? Nothing? Just sit back and hope that things don't get any worse? Just pretend that everything is okay? Keep telling yourself that with luck, you'll retire in a few more years and won't have to worry about this crap anymore?

From this point on we must go back to earning our money the old-fashioned way. We must prove to our advertising decision makers in language that they absolutely understand, that we're still worthy of their respect and we're still worthy of their financial investments in our radio and television stations (and OUR digital products as well).

Question: How do we do that?

Answer:

- Give the advertisers (and your audience) what they need in order to stick around. If you haven't already, start building a digital platform. Then you can tell clients that yes, you've got them covered...in their cars, at home, at the workplace. You're everywhere consumers are, on all sized screens.
- Give your sellers the tools they need to succeed. Bringing back client dollars and respect requires broadcast sellers to have two important skills:
 1. The ability to convince decision makers beyond a shadow of a doubt that advertising with you is a necessary *and measurable* long-term investment, not a gamble or a luxury. Use the client's gross margin and average sale to show them that broadcast advertising, with good creative and an appropriate long-term schedule is a good calculated risk (I have explained how to calculate return on investment in previous Radio Ink articles).
 2. The ability to do the client's advertising and marketing thinking for him. In other words, the onus is upon the broadcast seller to come up with short and long-term rock-solid creative strategies that will capture the hearts and minds of the client's potential customers *without sacrificing the client's gross margin of profit*.

We can no longer afford to leave it up to the client to come up with their own advertising ideas. We've allowed that now for decades and what have we got? Dissatisfied clients blaming us for their terrible creative and mismanaged expectations about results on our stations, who are now chasing after a newer, more promising medium.

Let's face it. Most local clients still don't have a long-term marketing and advertising plan. In fact, most local businesses don't even have a short-term plan. That fact is evident as advertisers jump from radio to broadcast television to cable to print to Google Search to Facebook. They have no specific creative strategy to lure consumers to them.

Bring clients to the Big Table of ideas. Become their go-to on any matter involving marketing and advertising. Give them ideas they'd never come up with by themselves. Show them in their language that advertising with you is not gambling but instead a good, calculated risk. Here are some examples.

Divorce Attorney. Gross margin of profit is 60 percent after the cost of labor. Average sale for a contested divorce *with children* is what? 10-20 thousand dollars minimum? Per 5 thousand a week spent on advertising how many new customers would we have to bring to that attorney? Especially with a commercial that says,

"If you've been threatened with divorce, you're in no emotional condition to make financial decisions that may affect the rest of your life. Here at Dewey, Cheatham and Howe, we treat our clients like we're your big brother. We'll make sure you get everything you've got coming to you. And your disloyal spouse? We'll make sure they get what's coming to them as well.

Business Internet Security Company. Average sale on a T-1 dedicated business line is at least 575 dollars a month on a gross margin of profit of 70 percent after the cost of labor. But nobody buys just one month. So your average sale is really nearly 7 thousand dollars for an annual contract. How about commercials like this, on your radio/television station as well as on your website?

"Do you have 12 or more employees and are still using your own servers? Why? Do you realize how vulnerable you and your client's data are? To theft? To hacking? To foreign bitcoin blackmailers? At _____, we have you covered 24 hours a day, seven days a week. We know the moment someone tries to break into your system and immediately we do everything necessary to keep them out. At _____ we serve...and protect."

Just like the cops! Imagine the commercials this client could launch.

How many new customers would we really have to bring to this kind of company in order to justify our tiny little 5 thousand dollar weekly schedule on your station?

Remodeler- Average sale on a kitchen remodel \$30,000. Gross margin of profit 30 percent after the cost of labor. What is, both literally and figuratively, the warmest room in the house? At a party, where do a majority of the guests eventually wind up? The kitchen! Here's an idea for a commercial that will help sell new kitchens.

"When you have a party, what's the room where everybody eventually gathers? The kitchen. Because the kitchen is the heart and soul of the house. Too bad it's not your heart. Too bad it's not your soul. Those aren't the cabinets you'd have picked out. That's not really your countertop. Somebody else chose that. They also chose your appliances and everything else in "your" kitchen. Why not make your kitchen YOURS? Well, you can. At _____, we specialize in helping you create a kitchen that represents your heart and your soul.

See how that works?

It's not the client's fault that they're ignorant about what broadcast advertising could do for them, especially right now. It's our fault. By properly educating our salespeople and investing in the tools they need to be successful in today's newer digital world, we can still prove that we deserve the client's respect as well as a majority of their ad dollars.

To help clear up any misconceptions regarding digital, watch some of the best 45 minutes I've ever seen as San Francisco Adman Bob Hoffman (keynote at the Radio Show a couple of years ago) dispels many of the myths that agencies have created regarding the death of broadcast. https://www.youtube.com/watch?v=EyTn_DgfcFE Rated "R" for language.

Only we can stop the cancellations and the urge to spend money with newer, shinier advertising mediums.

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