

KAB TRANSMITTER

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Chairman's Message:

Gordon Johnson – KLEY AM/KKLE AM/KWME FM

Does it seem a bit quiet for February to you? As I think about February's past, it seems there was always some hot-button issue to hold the attention of broadcasters. But this year....well, it just seems too quiet. And that's probably when we should be at our most attentive.

This year's legislative session is dealing mostly with budget issues – income taxes, school funding, Medicaid reform, and reforming the state retirement system. But hiding just under the surface is always the issue of sales taxes on services, specifically advertising services. Neither Governor Brownback's tax reform package nor the House tax plan proposes to eliminate those exemptions, but don't be surprised if the issue rears its ugly head once again.

And then there's the lawsuit by Mission Abstract Data over radio automation. The opinion from most seems to be that the bulk of their patents will be ruled invalid upon re-examination. I'm sure radio operators have received an offer from the company for licensing. Your best bet is probably to keep your eyes and ears open, and follow the advice of your attorney.

As always, it pays to keep up on what's going on with the FCC. They don't seem to be extraordinarily focused on radio or television these days, but you can never tell when the worm will turn. There are always a number of issues pending there that could at any time have a huge impact on our industry. Personally, I'll be answering the call for an EEO audit for one of my stations.

Quiet...well, maybe not so quiet after all. Have a great month.

2012 Legislature

The Kansas Legislature returned to work today after a few days out following "Turnaround" week. That's where all bills must be passed out of their house of origin, unless they are assigned to exempt committees (Tax, Appropriations, Ways and Means). Since our last update, the House unveiled their tax plan which has differences from the plan the Governor outlined in January.

Both plans would eventually do away with income taxes, but how they get there is the point of debate. The main difference is that the House plan has 3 tiers of tax brackets (less than \$30k, \$30-60k and over \$60k), where the Governor's only has 2 (less than \$30k and more than \$30k). And the House plan uses some of the promised transportation funds for a few years to help pay for the decrease in revenue.

There is also some good news for retailers (your customers) in the "E-Fairness" bill that passed out of a House committee. It would require out-of-state on line only businesses to begin collecting sales tax. They have had an advantage over businesses that have brick and mortar locations by 6-10% (depending on where you live).

Finally, the “Stand by Your Ad” bill that would require all candidates and committees to state “they approved this message” (like federal candidates are currently required to do) passed out of a Senate committee and is waiting for debate on the full floor.

Just a reminder that anytime you want to contact your legislator, or don’t know who it is, just click the link here. <http://www.ipsr.ku.edu/ksdata/vote/>

TV Broadcast Spectrum Auction Remains Voluntary

President Obama has signed into law, legislation that includes voluntary spectrum incentive auction authority and all the protections sought by the KAB and NAB. For nearly two years, we have lobbied aggressively against legislation authorizing voluntary incentive auctions, by which the FCC would reclaim airwaves and auction them off to the highest bidder.

In its compromise deal to extend the payroll tax holiday, Congress made the giveback of spectrum purely voluntary and set aside roughly \$1.75 billion to compensate broadcasters for “repacking” of hundreds of stations. The FCC intends to shuffle stations around in the band to create contiguous blocks of spectrum, which are more desirable to wireless carriers.

Meanwhile, provisions in the bill will require the FCC to make “all reasonable efforts” to preserve the coverage area and population served by each broadcast TV licensee, and prevents the FCC from involuntarily reassigning a broadcast TV licensee from a UHF channel to a VHF channel. To date, not one major TV broadcaster has publicly said it would give back spectrum.

Latest FCC Fines

I’m always pleased when I read about fines and none are for Kansas stations. Keep it up!

In the case of WTSM-FM Woodville FL, the station's staff was said to be unaware that its public file was supposed to contain an issues/programs list. Once it became aware of the requirement it began compliance, and was able to reconstruct lists going back one quarter, to Q1 2011. But the violation dated back to 2006. The standard fine for this violation is \$10K. The FCC said that although the station had a clean record up to this point, the prolonged duration of this violation prohibited consideration of a reduction for past compliance. However, the FCC stated that the violation was not overly serious and that the station had served the public interest, and therefore granted the license renewal.

Hope Broadcasting’s WFGN-AM Gaffney SC was late getting its renewal applications in. The failure extended beyond the license expiration date. However, it was able to demonstrate a lack of means to the extent that the FCC reduced the financial penalty from \$7K to \$4.6K.

WPAM-AM Pottsville PA, licensed to Curran Communications, was missing five years worth of issues/programs lists in its public file. Fine: \$10K. The FCC also gave it reporting conditions, directing it to submit written testimony that it is complying with the rules on penalty of perjury.

Finally there is the case of WJTB-AM Elyria OH, licensed to Taylor Broadcasting Company. On two occasions, FCC agents attempted to inspect the station; on two occasions nobody was home. After the first attempt, they were told they could gain access by using an entry buzzer, but on the second visit there was no entry buzzer to be found. Taylor was fined for failure to maintain a presence at the main studio during regular business hours. The fine: \$10K plus reporting conditions.

2012 KAB Sports Seminar

The annual get together for stations and students involved in sportscasting will be Monday, April 23rd at Kauffman Stadium in Kansas City. We will have a great variety of round table hosts and since the All Star game will be later in the summer at the "K", we plan to have a special speaker to discuss everything surrounding this event. The Royals will also treat attendees to the game that evening against Toronto.

A TENTATIVE schedule (presenters have not been confirmed) and registration information can be found on our web site at <http://kab.net/events/>



Oscar Stauffer Sportscaster Award

The 2012 Oscar Stauffer Sportscaster of the Year award winner is Brian Hanni, sports director of KLWN-1320 AM Radio in Lawrence. This the second award for Brian in the past three years. Presented annually by the Kansas State High School Activities Association, the Oscar Stauffer Awards recognize excellence in the fields of sports broadcasting and sports writing, and acknowledge meritorious service through coverage of interscholastic sports programs in Kansas.

Hanni broadcasts play-by-play for Lawrence-Free State High School football games and both Lawrence-Free State and Lawrence High School boy's basketball games. In addition to Hanni's high school broadcast responsibilities, he also calls games for the University of Kansas baseball and women's basketball programs. Hanni also created "Rock Chalk Sports Talk", a daily sports show on KLWN-AM that focuses primarily on KU sports and is also broadcast once a week on the Jayhawk Radio Network.

Congratulations, Brian!

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From Reporter
Bryan Thompson



Magic Numbers for Local Broadcast Sales

This article is about different kinds of numbers, the ones you need to calculate return on investment for local direct clients. The numbers I'm talking about are client gross margins of profit and your client's average sale. If you don't know these numbers then you're blind, and you're asking for trouble. What kind of trouble? "Cancel my advertising. It's not working." or, "You're too expensive."

But enough about trouble. You need to know about these numbers if you want to manage your client's expectations about results. You'll need these numbers to show clients that advertising with you is not gambling, but instead, a good calculated risk. And, you need to know these numbers if you are interested in doubling or tripling or quadrupling what your clients are spending on your stations.

Average Sale represents the dollar total of all sales rung up on an average day, divided by the total number of sales rung up.

Gross Profit Margin is the percentage of profit AFTER the business has paid for goods (retail outlet) or labor (service-oriented business) ONLY. GPM is calculated by subtracting either the cost of labor or the cost of goods, but not both, from the sales price.

Let's look at the power you have by knowing those two numbers.

I just spoke with the owner of an auto body repair shop. He told me that his average sale is \$2500 and his gross margin of profit (after labor) is more than 50 percent. So, how many \$1250s does he need to bring in per \$3,000 per week spent on your station? Fewer than 3? What percentage of your audience would 3 people represent?

Furniture stores operate at a 44 percent gross margin of profit and the average sale is about \$850. So, for \$5,000 per week spent on your station, how many \$476s must we bring the owner of the store? 10.5 would be the correct answer. Do you think that perhaps your station might be able to muster up two new customers a day for a furniture client? I hope so. For \$10,000 per week spent on your station, you would need to catch 21 new customers a week. Don't you imagine that with really good creative that your station could compel four new people a day to purchase furniture from your client's store?

Home remodelers work on a 30 percent gross margin of profit (after the cost of materials, which is slightly more costly than labor). An average sale for a kitchen remodel is \$25,000. So, how \$7,500s would you have to bring to the remodeler in exchange for his \$5,000 weekly investment in your station?

See how easy this is?

Here's how it works with lower-ticket businesses. Obviously people buy more low-cost items than they do higher cost things like furniture and cars. Restaurants work at a 65 percent gross margin of profit, after food/beverage cost. Let's say the average sale for a local restaurant is \$25. But what is the value of one new customer to that restaurant? How often will the average customer return to that restaurant? I try to visit my favorite Austin restaurants at least once per month. So, I might be worth at least \$300 in sales to that restaurant. 65 percent gross margin would mean \$192 left over that the restaurateur could invest back into his business. How many customers like me would a restaurant need to capture per \$3,000 a week spent? 15. A couple of new customers a day is all.

Convenience stores operate at a 30 percent gross margin of profit, after the cost of goods. What's the value of one new customer to a convenience store, especially if he or she smokes? When I used to smoke, I bought a pack a day, never cartons, because I always believed I'd quit soon. Cigs cost about 6 bucks a pack. I bought a pack a day. Along with the smokes, I'd also purchase breath mints, gasoline, maybe a lottery ticket, perhaps a magazine or a Coke or a six-pack of beer. Figure that my average sale was probably \$10 per day. And remember that cigarette smokers don't take weekends off. So, \$70 bucks a week? Times at least 48 weeks a year? That's \$3,360 in sales, just from me! Thirty percent of that is \$1,008. Man! How many new customers like that would I have to deliver per \$7,000 spent per week on your station?

Not a bad way to think about asking for more budget, am I right? Once you start selling this way, the magic numbers way, you can never go back to the Neanderthal way you used to sell.

Originally printed in *Radio and TV Business Report*. (Paul Weyland is a broadcast sales trainer, author and speaker. You can reach him at paul@paulweyland.com or at www.paulweyland.com or by phone at (512) 236 1222. Read Paul's book *Successful Local Broadcast Sales*, available on line or at bookstores)

If you have anything you would like to place in the newsletter send it to kent@kab.net