



Jay Meyers Power Player

Company:

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• Jay Meyers

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Jay Meyers' radio career has turned into a double-edge sword of sorts. He cut his teeth in pre-consolidated, Old School radio, but his current business, Broadcast Management & Technology, offers outsourced executive oversight of troubled radio companies. Considering radio's current state of affairs, Meyers is not exactly hurting for business. Yet he longs for radio's return to profitability and prominence as well ...and here's how he thinks it can happen.

Describe your career in radio so far.

I started in radio when I was in college, back in the '70s. I got into the radio business for the same reason Joel Denver did -- to play the hits. I grew in my career because for better or for worse, I was someone who always felt I could do the boss' job better than he or she could. I was a jock and thought I could be a better PD, so I became a PD. Among my PD stops was my dream job, as PD of the station I grew up listening to in Philadelphia -- Joel's old station, WFIL. Then I felt I could do a better job managing the stations I worked for than the GM, so I made jump from PD to GM. Although that is unusual these days, back then it was stunningly odd. You could list the PDs who became GMs on one hand at that time.

The next step was going from a GM to running a company. The first one was Sherman Broadcasting, a small company in the early '90s which I took over just as it was entering Chapter 11. I learned a ton on the job there and that enabled me to open Jay Meyers and Associates, where I worked with lenders and radio groups in troubled situations the last time the industry was in trouble.

When consolidation came, Randy Michaels approached me and I became an SVP at Jacor ... and then at Clear Channel. Then Randy left, and before too long it wasn't fun anymore. So I left the business for a while. When I decided to get back into the business with Broadcast Management & Technology, even though I was successful in pre-consolidation, I realized it was going to be very different now. Before, I typically worked on individual station situations; now I would be able to use all my group head skills and provide solutions on a company-wide level. It started in late '05 when the radio business' revenue growth began to decline. Then the recession hit in late 2008 and it has been crazy-busy ever since. We have been doing this for a while now, which gives banks and lenders a certain comfort level.

We offer lots of different services, but the most requested seems to be outsourcing of C-Level management. I recently took over Bustos Media as CEO, working with a terrific group of lenders who have unbelievable vision. I also provide what might be called "COO services" to Radioactive, which is the personal ownership company of Randy Michaels. We have almost two dozen radio stations which are in LMA/Option Purchase agreements with various individuals in small markets. In Florida, where I currently live, I provide those services to Horizon Broadcasting, which owns four markets around the state.

The other members of the BMT executive team also provide similar services. EVP/CFO Claudia Horn is available for outsourced CFO duties as well as advising on deal restructuring. EVP/COO Hal Rose, the former COO of First Broadcasting, provides General Counsel services on an outsourced basis and uses his deal-making expertise to advise clients. EVP/CTO Bob Denny is one of the

finest engineering minds in the country and provides strong 30,000-foot view direction on the technical side. The other services we currently provide to clients are too numerous to bore the readers with.

How can one person oversee all these radio stations and groups?

I still have a lot of capacity to do more. When I was at Clear Channel, I typically had a region that covered more than 50 radio markets and 260 stations, and I had more than enough time to also oversee the seven other CC subsidiaries that Randy gave me, including two research companies and another you may have heard of -- McVay Media, during most of the time Mike's company was owned by CC..

So what's your take on the current radio environment? Is radio's current plight due more to its actions or just getting caught in a bad economy?

I have mixed feelings about this because I'm a radio guy. Honestly, part of the problem with the business today is that there are not enough real radio guys running the companies. Randy Michaels and Mel Karmazin were people who cut their teeth in this business, grew up in it and knew how to operate on a street level. We don't have enough of those people running the really big companies ... the ones most outsiders pay attention to. We do have some "up from the streets" folks running radio groups, but they don't have the critical mass to be afforded the so-called bully pulpit.

Now I don't mean to say that everyone running a big radio group who doesn't have that experience is a bad person or businessman. Because some run public companies, they have a near singular focus on the bottom line and very short-term thinking because they have to prepare for the next quarterly report. That means opportunities for long-term excellence are often missed in favor of something that produces immediate better bottom line performance.

Everyone should be focused on the bottom line ... period. If not, the bills don't get paid. But opportunities get missed if that is your only focus.

The reason BMT is doing so well is actually an unfortunate circumstance and reality of today's radio business. The truth is that a lot of these ownership deals were put together when the business was in a different place. That certainly isn't unique to radio. Look at the housing market; if you bought a house in 2004-2006, there's a good chance your house is underwater in its mortgage. In both cases, you bought something at one level of valuation ... and that valuation changed dramatically since then. The original deal wasn't necessarily bad business; it was the victim of the luck of economy and the changing face of the how advertisers distribute their marketing dollars.

Banks are in the same predicament with radio as they are with the housing market. A bank may have lent someone \$20 million on trailing cash flow of just over \$3 million to buy a \$40 million set of stations at a time when the radio biz was selling at 12-13 times cash flow. Now they've taken a hit; because of the dramatic drop in the business in '08/'09, cash flow might be down to \$2.3 million, and if we're lucky, today's multiple might be seven or eight times. So the bank has a valuation on the property of say \$17-18 million against a \$20 million loan. Federal regulators are breathing down their neck because of the housing crisis. It's a tough situation that causes problems ... and it sure doesn't make our business look good.

Could any of this have been prevented?

Certainly some of it could have been. Some people were shortsighted and had a lack of attention in general. A lot of people's eyes were off the ball because when everything was going really well, they forgot about the basic philosophies of business. If business has been so good for so long and then it turns bad, literally on a dime, it's a tough situation. It requires a skill set far different than the one that is required to manage when business is plentiful. You've heard the old saying; "Get back to the basics of

blocking and tackling." Easy to do if you've been through that recently, but if you have spent 10 or more years with great growth, not so easy.

I've been in radio for a long while; I know how we did business before the Telecommunications Act of 1996 became law. A lot of today's radio station management might have started their careers long after the last time the industry struggled in the early '90s. They have no experience of doing business in a street fight, which is what we're in right now. This time, though, not only are we going up against other radio competition in the market, there's other media is coming at us, too.

Again, if you got in this business between 1996 and 2005, all you basically know is gravy, where you've enjoyed 5-9% growth your whole life. Suddenly you hit the wall of today's situation and you have to go out and do battle, but you may not have the skill set and tools to do that. Our industry doesn't have enough people who have that battle instinct; eventually smart people will figure out how to win at the street level, but it is taking them time. But with the changing face of the media landscape and the current Madison Avenue perception of radio, it's time we don't have.

Voicetracking seems to be a popular way for corporate radio to build their business ... at least in terms of cutting costs to increase profit. Do you consider that to be a viable weapon in today's "street fight"?

Let's set the record straight here. Just as Henry Ford didn't invent the automobile (he was the first guy to mass-produce it), Clear Channel didn't invent voicetracking ... but they mass-produced it. Voicetracking wasn't invented by Jacor, either, but Jacor made it a part of doing business.

Here's the But there was a major difference in the how and the why. When I was at Jacor and we put out voicetracking plans together, it was for following reason -- to bring better radio talent to areas that couldn't afford it. At the time there was no discussion on how much money we could save. It was, "Gee we can get that great midday girl in Houston to 'do' afternoons in Lima, Ohio." To make that work,

we made sure that she got together with the Lima PD on the phone nearly every day; she'd read the local newspaper online or get info from the faxes the PD sent to make sure she was up on the Lima happenings. And that's how voicetracking was supposed to work

It's kind of like that TV commercial where a guy in a doctor's smock says, "I'm not a doctor, but I play one on TV." The reason that pharmacy company hired that actor to give its message, instead of a real doctor, is because the company wanted its message to be absorbed by the consumer. It is a fact that a great presenter with mediocre content is far more entertaining ... and far more memorable to far more people ... than a poor presenter with great content. If your readers remember nothing else I say, let them remember this. Localism is not a location issue; it's a content issue.

Fast forward a bunch of years. Almost all of the Jacor people who initially stuck around when Cleat Channel bought it are now gone. The people who designed the whole idea of improved content and presentation are gone. Voicetracking is now in the hands of another group of people who mass-produce it as a way to save money. No one is working hard to make sure that the voicetracked shift fits the market, sounds local and is brilliant. When I listen today, I wonder if any prep at all is going into the voicetracked shift, if anyone locally has taken the time to provide accurate up-to-date information to the remote jock, and if that jock is paying attention. Are they getting relevant local info, or just cranking out another shift like Henry Ford cranked out cars?

Yet in a sense, the introduction of the PPM is giving these PDs an out of sorts. They don't want their jocks, live or voicetracked, to go on a lot. They'd almost prefer a rip-and-reader because the PPM shows listener loss during breaks.

That's true, but that's an overreaction. What we as an industry -- both owners and PDs -- haven't realized that the difference in numbers between the diary and the People Meter are to be expected. There's no reason to be surprised that this would happen. Just telling their jocks to cut down on the talk is an absolute knee-jerk reaction; what they should be telling the talent is

to edit what they say to make sure as much of it as possible is brilliant.

Talking on music stations isn't the culprit here, it's going on and on about nothing that is the issue. You could get away with that in the diary if you were a P1 station for the listener because they probably forgot the brief tune away to the competition by the time they sat down at night and filled out a diary. But the PPM listens right along with the person, so now you get "credit" for the fact they tuned away.

We will never know, but I believe the show that had the potential to take the biggest haircut in the PPM world would have been Howard Stern. Howard is a brilliant talent, but he, like all great talent, could use some control and self editing. Plus there was the dreaded once-an-hour 17-minute stopset.

In the diary, fatigue tune-out on Howard wouldn't show up, nor would the fact that you wandered away from the radio, went to the restroom or tuned to a Classic Rock station during the stopset. All that typically went unrecorded late at night because if you were a Howard fan, he got all your recorded listening. But in a PPM world, you'd see that entire tune-out happening.

The same basic thing happened to all the big ACs that used to get the block of at-work listening. But in the real world, no one listens 9-5; there are bathroom breaks, smoke breaks, meetings in the boss's office, lunch in the lunchroom, etc. The PPM records all that "missed listening." The diary would have gotten a 9-5 arrow.

Again, all this should have been predictable. It's simple logic. Programmers need to adjust accordingly and not go overboard with changes.

The #1 rule in our business used to be "Call letters first and last in every break." How important is that in the PPM? Not at all! We've since found out that in PPM, you have to make enough appointments for listeners to come back a number of times. The craft of programming needs to change. After we spent years

learning how to manipulate the diary, now it's a whole new ballgame. Sometimes the key to success is learning how to manipulate the system ... that is part of the keys to success in nearly all businesses ...but then the system changes and rocks your world upside down

It's similar, in a way, to what happened to the indecency stuff after the Janet Jackson incident, when Clear Channel was announcing all that anti-indecency programs for DJs. I was listening to Rush Limbaugh at that time. Now I don't necessarily agree with everything he says, but he can be periodically entertaining. Someone asked him about it, he said it's like a modulation meter that goes from 0-10. The red area is 8-10, but his job is to keep it in 6-7. What happens is when something suddenly pins it to 10, the natural reaction is to grab the dial and turn it back to zero as fast as you possibly can. Eventually, it will work its way back to the proper level.

And Rush proved to be correct. Radio used to be very edgy, then the Jackson thing hit. Today, years later, it's not as edgy as it used to be, but it's getting there. The dial is being turned and working the meter back to the proper level.

We're at the beginning of the same thing with PPM. Big morning shows are held accountable for minute-by-minute content and the listeners' actual usage doesn't match their recalled usage. Unfortunately, the reaction of many has been, "Oh my God, get the talk off the radio!" PPM pinned the meter, PDs are reacting by turning the dial down to zero. Eventually it'll work its way back to where it should be - hopefully, much sooner than with the indecency flap.

Has radio overreacted in fighting against the performance royalty?

To paraphrase Nancy Reagan, "Just say no." I don't personally believe that radio has to pay for the same thing twice. We're already paying composers, which goes back to the fledgling days of radio, when music was played by house bands in the studios of the

radio stations or networks. There was a direct link between the composer and the performer back then, so we paid the composers a licensing fee. But then we began to play recordings performed by artists, becoming ... in a sense ... the middle man between the composer and the performer. The direct link between the composer and the performance was no longer there.

Now if artist wants to get paid by radio stations, I would say, fine. We'd be happy to do that - as long as we stop paying composers. You want us to pay the performer? Great. But let the performer pay the composer and return the direct link between composer and performer to the way it was originally.

Here's an outside-radio analogy: In this case, the farmer is the composer, the consumer is the radio station and the grocery store is the performing artist.

In 1890, nobody bought eggs at a grocery store; they bought them directly from the farmer. Now we go to grocery stores to buy the eggs. Does anybody expect consumers to still send a check to the farmer? After all, he still produces the eggs. No, because we don't pay for the eggs twice. We shouldn't pay for the music twice.

Last week, another Old School radio figure, John Gehron, voiced approval of the NAB's effort to accept a performance royalty in exchange for things like a lower streaming feeds and an FM chip in mobile devices. You don't agree with that?

It doesn't resonate with me and it's hard for me to disagree with my dear friend John Gehron, who I've known since, well, since before Joel worked at WFIL! There are no guarantees about the future. Once you're stuck with something, it'll be jammed down your throat. I just don't buy it; I have two words for all the people who think that this is the deal that ends the land grab by the record companies: Neville Chamberlin. He made a deal with Hitler in 1938 and said, "Peace is at hand." If we make a deal now for \$100 million, they'll be back at the trough in no time. Once we let them in, the price will continue to go up and up and up. I read recently where the RIAA head said that the royalty may be \$100 million now, but it'll be \$2 billion in 10 years. The old saying is "Those that do not study

history are doomed to repeat it." Peace is not at hand; stand up and fight.

You want a crazy idea? If they want us pay a royalty to artists, we should do so under one condition: Repeal the payola rules. If we have to pay both the composers and the artists, then we ought to have the absolute right to charge artists for the right to appear on our radio stations.

But you can get labels to pay for airplay right now ... as long as you disclose that fact on the air.

We could do that right now, but what's wrong with saying, "You want to be on our air? Fine, here's our per-play charge." It'll be a standard pitch, much like what happens in the grocery industry. Grocery stores buy products from producers, and turn right around and charge the producers for shelf space. You want an A rotation (end cap at the store), that'll cost you one thing; you want a B rotation (high shelf location in the store), that's another cost. If Congress wants to double-tax us (composers and artists), then repeal the payola laws and let's go back to the Wild Wild West.

Having an FM chip is great. What pisses me off, however, is that it has become the centerpiece of the deal. Once again, the industry is being devalued, as if we have to beg to have it as part of a broader deal. Perceptually we're telling the world we have to have legislation to get this done. Someone has to take some freakin' pride in this industry. In 1986, 96-98% of the public listened to radio during a typical week. That number is still around 92-93%. Back then, 85% of the public watched network TV; now it's just 40%. The then-and-now ratio for newspapers is far worse than that. So why are we the bastard child of media?

One of my mentors, Jay Cook at WFIL, told me to never forget this rule: "Perception is reality. I don't care what you do; it's all about perception." What this industry has done for the longest time is allow the perception get away from us.

You talk to Wall Street people today and no one is following us anymore. There aren't any analysts who specialize in radio. So

when investors call people like me and talk about radio, they have no idea of how many people we reach on a weekly basis.

Investors and a portion of the public think we're getting our ass kicked by satellite radio. It's true; I get that from someone nearly weekly. But if you look at the facts, on a weekly basis, Sirius attracts 12-14 million subscribers while radio has 270 million listeners. If you and I were competing in a business and I had 12 million and you had 270 million, would you consider me a competitor? Would there be any way in the world someone would think that I was kicking your ass? But we've allowed this to happen to us as an industry. We've not paid attention to the late Jay Cook. Perception has once again trumped reality ... because we let it.

So what of the future? More than a few Power Player interviewees believe that we can't expect to return to the "good ol' days" of radio and must learn to live with modest expectations of growth. Do you agree with that sentiment?

The only way for this industry to survive is to get back to some of the "good ol' days" ... and by that I mean basic blocking and tackling. Stop the corporate cram-downs; hire some great people at the local level, hold them accountable for their performance and see what happens. You have to have local people to capitalize on local opportunities.

The problem today is that the local people are too distracted covering their asses to make sure the 16 corporate initiatives that may or may not be useful in their markets are executed. The industry has become about process and not performance. "Back in the day," we hired smart people and expected them to perform; it was about performance and not process. The key to future success in this industry will be to start getting back to focusing on the correct "P" because it's very much about the process right now

You have to be confident enough to hire smart people, show them the problem and let them find the right solutions. You can't dictate solutions from a lofty perch. We're not the only industry that exists on a plus-1 or 2 level, so you have to innovate to find new business. You go around your own town and figure out how

businesses succeed today, not how they used to do business years ago.

Radio is the ultimate local business. Its success is literally created on the street in the local town, not in the suites at some corporate office. Look, I'm a corporate guy now, but I believe corporate is there to provide help, vision and tools. It shouldn't be there to dictate. At Jacor we used to say to managers, it's your ball, your bat and your butt ... and we meant it.

This is still a pretty decent industry. The core business still works. We need to stop spending so much of our positioning and personal time worrying about a digital future -- and start promoting our core business. Just hire smart, young people, then get the hell out of their way and let them figure out our digital future ... which really won't take hold for another five years.

Digital still won't be more than 30% of our business in 2013 or 2015, so we should stop spending 85 % of our time worrying about that. Push the core business that still reaches 93% of the public; go out and make that work. Then do the smart thing and hire some really smart folks not of the "good old days" generation, and tell them you expect them to have the business ready for the handover when digital becomes the critical mass of the industry. If as the leader, you spend 85% of your energy on 10% of your business, you will fail. Study other industries; they see where the future is going and assign a team, and then use their current expertise to maximize their current business.

Imagine for just a second if your PD was spending 85% of his time manipulating Facebook and Twitter and 15% of his time working with the music and the jocks. You'd fire their ass pretty quick.

How do you view your own future when your business, ironically, thrives when radio is hiring?

It is ironic, isn't it ... I'm successful today with BMT because the business is in trouble. But on the other hand, if you do a good job and make the companies you're overseeing successful, that's good for your personal rep and for radio overall.

You know what? I hope this business gets really, really healthy again -- and I'll believe it can happen until the day I die. And when it does, perhaps I'll sit down with a number of the lenders and equity folks I've been helping and talk about putting a big deal together.

This is an exciting time to live. As important as it is to worry about the future, I've spent my whole life sort of living for the moment -- and maximizing the moment. Even my biggest disappointments were beneficial to me, because if I didn't have the setbacks, a better thing would never have become available to me. I live my career in maximizing the moment. It may sound kind of cliché, but it's true. If you are truly brilliant today, tomorrow will take care of itself.

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