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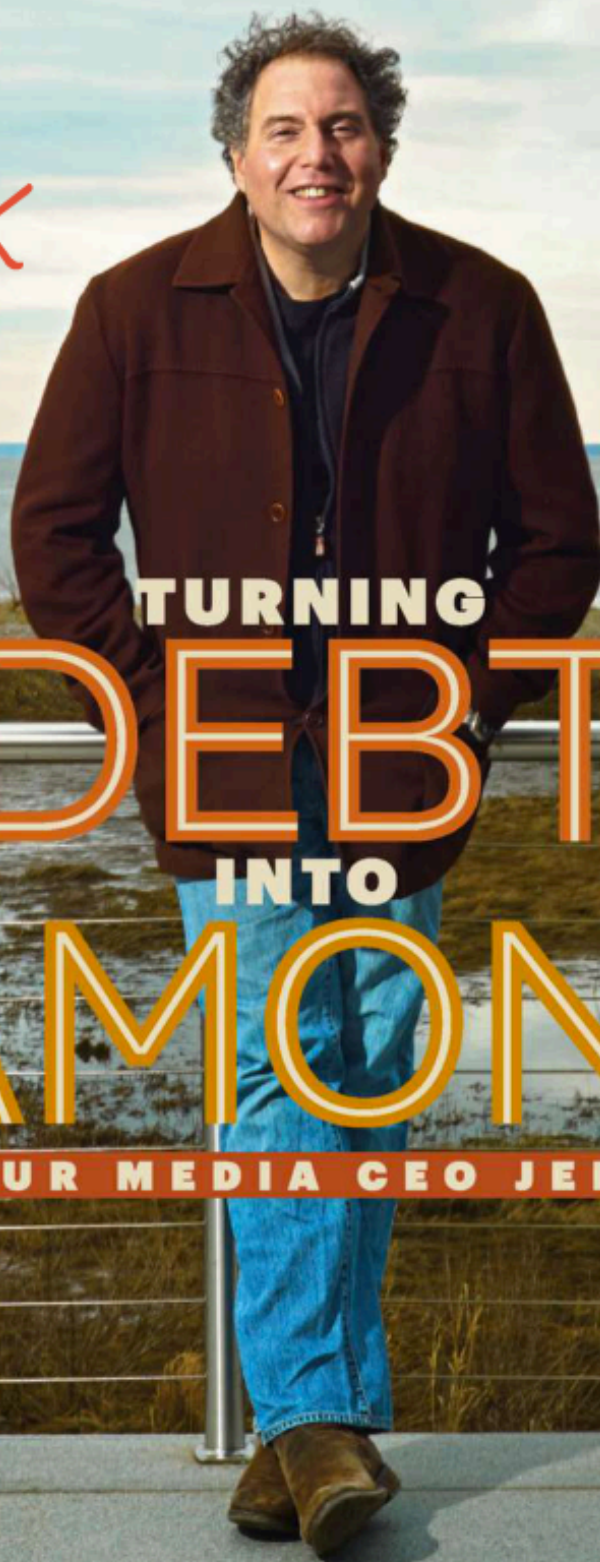
**GOOD BOSS
OR BAD BOSS:
WHICH ONE
ARE YOU?**

**HOW TO
SKYROCKET
EMPLOYEE
MORALE**

**STOP SELLING
RADIO ON
PRICE**

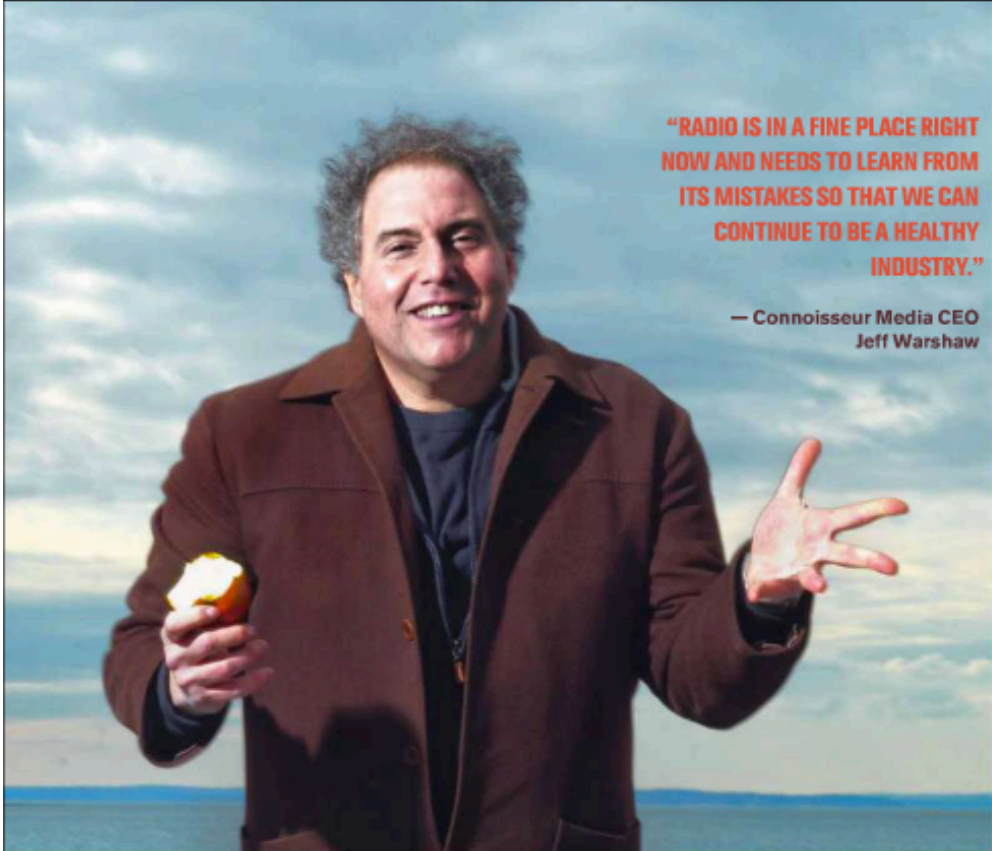
**RECRUIT,
RECRUIT,
RECRUIT**

**INDEPENDENT
OPERATORS**
*Speak
Out*



**TURNING
DEBT
INTO
DIAMONDS**

CONNOISSEUR MEDIA CEO JEFF WARSHAW



"RADIO IS IN A FINE PLACE RIGHT NOW AND NEEDS TO LEARN FROM ITS MISTAKES SO THAT WE CAN CONTINUE TO BE A HEALTHY INDUSTRY."

**— Connoisseur Media CEO
Jeff Warshaw**



PUBLISHER
B. Eric Rhoads bericrhoads@gmail.com

EXEC. VP/GENERAL MANAGER
T.J. Lambert tj@tlambert.net

EDITOR-IN-CHIEF
Ed Ryan edryan@theaditor@gmail.com

MANAGING EDITOR
Brida Connolly brida.connolly@gmail.com

CREATIVE DIRECTOR
Kenneth Whitney kenneth.whitney@gmail.com

COVER & COVER STORY DESIGNER
Alfonso Jones alfonso.streamline@gmail.com

PRODUCTION COORDINATOR
Nicolynn Kuper kuper.nicolynn@gmail.com

MARKETING CONSULTANT **646-808-6505**
Renee Cassis cassis2@msn.com

MARKETING MANAGER **937-371-8666**
Evelyn Yaus evelynyaus1@gmail.com

MARKETING MANAGER **646-773-0090**
Jake Russell jakerussell48@gmail.com



CHAIRMAN/PUBLISHER
B. Eric Rhoads bericrhoads@gmail.com
Twitter: [@bericrhoads](https://twitter.com/bericrhoads)
Facebook: [bericrhoads](https://www.facebook.com/bericrhoads)

CEO
Jim Robinson jimrobinsonmail@mac.com

EXEC. VP/COO
Tom Elmo thomaelmo@gmail.com

EXEC. VP/RADIO
Deborah Parenti parenti@aol.com

DIRECTOR OF FINANCE
Laura Iserman lisermanstreamline@gmail.com

ACCOUNTING
Randa Debnrowski randastreamline@gmail.com

CIRCULATION COORDINATOR
Sue Henry suehenrystreamline@gmail.com

EXECUTIVE EDITOR EMERITUS/LOS ANGELES
Dwight Case

Our Mission: Radio Ink's role is passionately to empower radio management to be more successful by providing fresh, actionable, reality-based ideas, inspiration, and education in a quick, easy-to-read, positive, pro-radio environment.

EDITORIAL OFFICES:
1901 S. Congress Ave. • Suite 118
Boynton Beach, FL 33426
Phone 561-655-6778 • Fax 561-655-6164
E-Mail: comments@radioink.com

Subscription Information:
Phone 800-610-5771 • Fax 561-655-6164

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By Editor in Chief
ED RYAN

Cover & interview photos by
DAVID BRAVO (WWW.DAVIDBRAVO.COM)



CONSIDER EVERY NOVENIGHT

JEFF MARSDEN'S
CONQUESTS IN
SURVIVES AND THRIVES IN
TODAY'S MEDIA

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Photos by
DAVID BRAVO (WWW.DAVIDBRAVO.COM)



Jeff Warshaw's career in radio ownership is in its second incarnation: In round one, beginning in 1992, he built Connoisseur Communications from one station in Flint, MI into a group of 39 stations in nine markets. He sold that group to Cumulus in

2000 for \$256 million (18 times projected cash flow). By 2004, Warshaw was at it again, purchasing 10 CPs at an FCC auction to create Connoisseur Media. The first station went on the air in Bloomington, IL, and as of this printing, Connoisseur is up to 23 stations in five markets, with annual revenue estimated by BIA/Kelsey at more than \$50 million. The company is nearly six times larger than it was one year ago.

Mike Driscoll has known Warshaw since 1996 and has been working with him at Connoisseur as an investor, CFO, and EVP since 2004, when Connoisseur round two started up. Driscoll believes the company is well positioned for the current radio environment, pointing out that the last 12 months have been a transformational time for Connoisseur, with three big acquisitions totaling more than \$100 million.

"We have grown the company from a smaller but well respected broadcaster to the 22nd-largest radio company in the country by sales, according to SNL Kagan," says Driscoll. "It is an exciting time, where Jeff has led the whole way. His dedication to creating a company that excels in quality, as opposed to quantity, is where I think he is unique among broadcasters. Over the years, we had a lot of chance to grow, but Jeff only wanted to do it if we could do it in a way to run a quality operation — doing research, promotion, having live bodies that we could pay fair compensation to so that we could serve the community. I think that time has arrived where we can do those things."

Research is big at Connoisseur, and Coleman Insights usually gets the benefit of Warshaw's relentless drive to get the programming right. Coleman CEO Warren Kurtzman says, "It's exhausting — and I mean that in the best way possible! Jeff is one of those people who is constantly thinking and generating ideas, and he uses others — his

people at Connoisseur, and people outside of the company whose opinion he values — as sounding boards for those ideas. The other word that comes to mind about working with Jeff is 'satisfying.' Jeff truly values the opinions and advice he gets from Coleman Insights and encourages his managers to implement the recommendations we offer. It's great to see what we suggest being carried out, which I can't claim happens to the extent it happens at Connoisseur with every one of our clients."

Connoisseur/Long Island GM Dave Widmer says the company's success is due to Warshaw's understanding of the fact that what continues to make radio relevant is its ability to be local, and reflect what's going on in the community. "The Connoisseur credo is the 'three C's,'" he says. "Customers, colleagues, and community. Basically, our advertisers, our employees, and our listeners and the communities that they live in. He's been very supportive of local charity and philanthropic initiatives and has encouraged us to be good community citizens."

"And he does it inside the building as well. After Hurricane Sandy, Jeff put some money together from the corporate level that I was able to give to a couple of our employees that had really been affected by the storm. No publicity or desire for acknowledgement. Says a lot about the kind of guy he is and the kind of company he runs, and his commitment to his employees and the communities his stations are in."

Cam Maxwell, GM of Connoisseur/Billings, MT, says Warshaw's energy and vision are contagious. "I interviewed with Jeff back in the summer of 2005," he says, "and was completely blown away with him and his vision for the industry. He is truly the one CEO I have worked with who not only understands our business, but sees where we're going, far past what others are talking about. He is the ultimate entrepreneur and constantly looks for ways to improve our business. I love working for Jeff."

Jeff Warshaw grew up in the radio business. His family owned religious and foreign-language stations back in the 1960s. He would tag along to conventions

as a kid and read *Broadcasting Magazine* cover-to-cover. At the age of 19, and still in school, Warshaw teamed with his two older brothers and an uncle to buy a construction permit. Jeff's job was to find the money to build the station — and he did, when he was a sophomore at Wharton.

That CP eventually became WNDZ-AM, a daytime in Portage, IN. The year was 1984, and by 1988 the station was sold. With a \$200,000 windfall and the ambition to turn that into more, Warshaw went looking for distressed debt. He found six AM religious stations, scattered around the country, licensed to Suburban Communities. The bank was owed nearly \$8 million and wanted out. Putting up his own \$200,000, Warshaw convinced a friend to match that, and got a \$1 million investment from the Blackstone Group. He bought the \$8 million in debt for \$1.4 million.

Now Warshaw, still in his 20s and working out of New York City, was in possession of the notes for six AM religious stations. One of the perks of the offices he worked from was a very big and impressive conference room, with 60 chairs worth about \$5,000 each — the kind of thing that would make any young entrepreneur look wildly successful. Warshaw was allowed to use it four times a year.

Warshaw got a meeting with a representative from children's broadcaster Radio Aahs, who, Warshaw relates, said the company was losing money and had the bright idea that if Aahs purchased something profitable, it would be good for the stock.

Warshaw says, "The guy walks in and he's going to try to make a deal with me, and I have this huge conference room. It was an amazing space. He says, 'What is going on here? We would like to buy these stations. What's the price?' I said, '\$3 million.'

And he's like, '\$3 million? Look at you. You are just this little kid. I'm not going to pay you \$3 million. You just paid \$1.4 million.'

"I said, 'You are coming to me. It's three million bucks.' He says, 'What makes you think you can get \$3 million?' I gave him my card, and I said, 'Let me know.'

"He says, 'Why do you have a logo? Why do you already have a card with a logo? You're just this kid who bought this debt.' I said, 'Let me know if you want to buy it.' He came back and paid me \$3 million for it. I took my portion of the money and paid my taxes, put a down payment on a house, and put the rest of the money into Cumulus."

Warshaw had turned that \$1.4 million investment into \$3 million in just three months. It was time to celebrate. So, while standing in the bright blue waters of Antigua, Warshaw pondered his next move. That's when he remembered that Mike McVay — now SVP/programming at Cumulus Media — might want out of the stations he owned in Flint, MI.

"Mike borrowed the money," he says, "and he was on the hook personally. It was around 1992, and the banks were trying to leave the business." When he returned from his vacation, Warshaw called McVay.

McVay says he was very impressed with this kid right out of college. "He had two speeds, stopped or floored," McVay recalls. "No in between. I sold the stations that I owned in Flint to Jeff — interestingly, those stations are now owned by Cumulus — and it started an even greater relationship both personally and professionally. He bailed me out of a tough financial situation and gave me a bunch of money along the way. How can you not love someone who changes your life? I consulted his properties on and off in various markets until not long before I joined Cumulus."

For Warshaw, the timing was perfect; Flint had few radio outlets, and the stations were cash-flowing \$1 million. He says, "Mike said he owed \$6.5 million against the station. I said, 'If I could get you off the hook personally, would you cooperate?' He said, 'Yes. Are you kidding?' The note is due in February, and no one is going to give me the \$6.5 million." I asked his permission and called the bank. I knew I could buy the debt cheap. That's when we made the deal."

And Connoisseur was born.

"Jeff is successful because he's passionate, creative, and loyal. You will rarely encounter someone as passionate about local radio broadcasting as Jeff is, and that passion is reflected throughout Connoisseur."

Warren Kurtzman
President/COO
Coleman Insights

When you are looking for investors, what's the difference now, compared to the first time? I would say that there has been a real evolution. First off, I was in my 20s. I had no track record. But the deals were compelling. The first time around, I had rich people that trusted me, that believed my story and thought I had a future. I certainly had no track record operating mainstream radio stations when I started Connoisseur.

Now, it's totally different. Now it would be difficult to say I didn't have a pretty good track record. We'd been waiting and waiting for the prices to get to be rational. The bank markets have jumped in, and mezzanine lenders are very aggressive. Private equity has yet to come back into the business in any meaningful way. It's a mixed blessing. It is creating great opportunities to buy fantastic stations at prices that are compelling, but it also makes it much more difficult to raise the money to do more deals. We've been really fortunate. We have done over \$100 million of deals in the past year. It was not easy to raise the money to do it.

Why is it that some folks, like yourself, just can't stay away?

I love the industry. First off, from a business standpoint, I don't think the business is going away. If you don't think the business is going away, then this is the best time to buy radio stations. I could borrow cheap financing for the vast majority of the purchase price,

inexpensive financing, and pay six times (cash flow) for wonderful stations. We sold for 18 times projected cash flow, and we are buying at six times. And there is four times of senior debt available.

And it throws off a nice profit?

I started a digital business, which we built from scratch. It's profitable. But you can't compare the economics of that business to the radio business. A business like that will be lucky to scratch a 5 percent margin. In the radio business, we have operations that are pushing 15 percent margins.

But it's not just about the money with you?

It's not just that we love the business. I love having stations that are part of the community. We run local operations. We are very proud of the fact that we are very committed to the communities we are in. We are committed to clients. We are committed to the people that work for us. So we love that. It feels good to be part of a winning organization that takes care of people and gives back, trains, and treats people with integrity, and allows them to progress in their careers. That's wonderful.

But besides that, if these businesses are well run, you don't have to cut them and run 25 units an hour to make them wonderfully profitable. I think, by and large, we run fewer units in our markets than any radio company.

What does the research say about the spotloads? How many commercials per hour is the right number?

As with any research you do, it depends on how you ask the question. Who is going to say, "Would you rather have fewer spots?" We run as few as we can to still be as successful as we need to be. Generally, in our markets, we are running 10 units per hour.

So is 10 the right number?

I don't know if 10 is the right number. Every competitive situation is different. I think, as an industry, we run way too many commercials.

How do we fix that?

The long answer is, if you don't pay 10 times, and you don't leverage it at eight times, then you don't have to run 22 units an hour to justify the investment, and you don't have to have robots running the operations all day long, and you don't have to cut people's pay indiscriminately. If you pay a fair multiple and you're committed to running local operations without too many commercials, you can make a great long-term investment in the radio

Sidelines

What are your hobbies (outside of radio)?
Eating, cooking, travel, tennis.

Who is/was your role model, and why?

Graham Kerr, the *Galloping Gourmet*. He had a wildly successful TV show where he cooked delicious food and picked the hottest woman in the audience to eat with him. How could you beat that?

What are you reading right now?

Lucky Peach.

Who is the most interesting person you know (outside your family)?

Diane Warren.

If you had 30 minutes, a tape recorder, and your choice, who would you interview, and why?

My paternal grandfather. I never got to meet him.

Name three stations you listened to as a kid.
WTHE, 97DJ, 99X.

Your most embarrassing career moment?

Pushing Howard Stern on our Rock station in Quad Cities. Our biggest advertiser dropped all our stations on the first day. The incident involved a young woman, Jack Daniels, and the 85-year-old mother of the car dealer.

What one goal has eluded you?

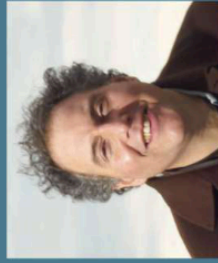
Full enlightenment.

Most proud career achievement?

Getting on the last chopper out of Saigon in 2000. (Translation: Sold for 18x projected BCF before the economy exploded.)

When you die, what will people say about you?

He was much more fun when he was alive.



Ready To Pounce

Jeff Warshaw waits for good deals to pop up before tapping in to his capital to purchase radio stations he believes he can operate. His goal is to own the communities in which he owns stations and drive the revenue through that close connection with both listeners and advertisers. And Warshaw believes the time is right to buy. Here are three of Connoisseur's major transactions over the last year.

FEBRUARY 2013

Connoisseur wins a bidding war and buys CHG's Southern Connecticut cluster of stations for \$40 million. The calls are WPLR-FM, WEZH-FM, WFOK-FM, and contract rights for WYBC-FM.

MARCH 2012

Connoisseur purchases four Long Island stations from Barnstable for \$23 million; the calls are WKVJ-FM, WBOZ-FM, WIGX-FM, and WHL-AM.

NOVEMBER 2012

Connoisseur buys the 10 remaining Nassau Broadcasting stations in New Jersey and Pennsylvania, including top-biller WPSY/Trenton, out of bankruptcy for \$38.7 million. In Trenton the calls are WCHR-AM and WPSY; in Allentown, WODE-FM, WVVY-FM, WEEK-AM, WTKZ-AM, and WBVW-AM. In Wilkes Barre-Scranton, WISBG-FM and WVPD-AM, and in Flemington, New Jersey, WNJE-AM.



This plaque, with Connoisseur's "Three C's" — Customers, Colleagues, and Community — is on the wall at every Connoisseur station.

Who do you respect most among the current radio operators?

I respect the operators within our company the most. Instead of naming companies, I will say the companies that support their local markets with local talent and don't clutter their radio stations, don't bring in the cost per point. That do invest in research and promotion. Those are the companies that we respect.

How badly did you want the Cox stations you bought this year?

Forty million dollars badly. We wanted those stations. We thought they were terrific stations in our backyard that fit perfectly within our regional strategy.

Did you pay the price you wanted to pay?

I think we paid exactly what we needed to pay. I would've been happy to pay less. Cox was not interested in that.

What is the Connoisseur digital philosophy?

We have several different approaches. I don't really want to give away the secret sauce. We think digital is an important part of what we do. We've done a whole number of different projects and experiments in our different markets. Our digital strategy is not throwing up banners and charging 10 percent of the budget to that and saying 10 percent of our revenue is digital.

With so many ways for consumers to be in control of their entertainment, what are you guys doing to stay ahead of that curve?

Providing our product over as many media as possible is one way. Ultimately, it is to provide compelling programming that people will want regardless of what device they are listening on. I'm driving to the office this morning, and I'm listening to Chaz & AJ and I'm laughing, and it's all local. It's compelling. Where am I going to get that, talking about my community, interesting guests. It's funny. It's entertaining. It makes me feel plugged in. Then I hear a great song. I will listen here in my office, and when I am at the beach, and when I am driving in my car — because it is what I want to hear.

Are people still listening to the radio the majority of the time, or listening on other devices?

In the car, they are listening on the radio. They are listening on their cellphones, they are listening in the office, depending on where they are. I don't think there are people sitting there at a desk with a transistor radio.

business today. You can't do it if you overpay and overleverage.

Killing the goose that laid the golden egg is, we overpay, and as a result, we have to cut too many local people, we have to increase the spotloads, we have to decrease the research, decrease the promotions, decrease the number of people we have out in the streets promoting our business, and we leave ourselves wide open to all those other competitors who would love to have a piece of the business that we have. I do believe that our deepest wounds have been self-inflicted.

You are a big believer in research.

We do a lot of research. I don't believe there's another company that does business in our markets that does anywhere near the amount of research we do. Well-done research is among the best investments I can make in my operations. We use Coleman Insights. I have never done a project with them that I wasn't happy with. Warren Kurtzman is like a member of the family. He's done a lot of research for us.

Why is research so important to you?

Because it helps us serve our communities better and to do a better job programming. If part of our job is to put the most compelling product through the speakers we can, research is a big part of that. Of course, there is plenty of room for using our own touch — using our experience and our creativity — but research gives us a road map.

What do you make of the deal market now?

Right now, there is an abundance of deals available, some more attractive than others. For our company, we really love the golden ring around New York that we've put together. We would love to expand that. We would be opportunistic not only for a deal in our existing ring around New York, but for the right deal, we would definitely continue to grow in a disciplined way like we always have.

In the deal world at large, I think the banks and the mezzanine lenders continue to be very supportive of the business. Private equity is very gun-shy. They hear the word "Pandora" and they say, "Oh, the business is going away."

A lot of the entities that have been traditional radio investors have gotten burned. The great line a private equity guy said to me is "nobody is losing their job for not doing a radio deal." Private equity continues to be very difficult to attract. Without that hungry investor base, the multiples I see staying similar to where they are today for the next year. It is certainly not a seller's market.



Jeff Warshaw with Mike Driscoll

What does it take to successfully manage a Connoisseur cluster?

You need to be devoted to the "three C's" — our communities, our clients, and our colleagues. We have three bosses: the communities that we serve, the clients that should trust us to get results for them, and the people within the building.

Describe the perfect radio salesperson.

One who hits budget every month. We've had tremendous success with individuals who have all different styles and expertise and experience. The perfect radio salesperson is like the perfect employee, who isn't afraid to raise their hand and say they need help.

In your opinion, is radio in a good place?

I am radio, and I am in a good place. Radio is in a fine place right now and needs to learn

from its mistakes so that we can continue to be a healthy industry.

What has made you successful in radio?

I've been very blessed and I've worked very hard, and I have had a lot of help. I have had a lot of great people around me.

Where is Connoisseur headed next?

We are opportunistic. We have a strategic vision on building out our ring around New York and to strategically acquire stations and clusters that we think fit in with what we are trying to accomplish. I have no preconceptions about how big we are going to be. We think that right now is a great time to buy radio stations. Finding ones that fit with our vision is what matters. I am not just going to buy stations to buy stations. We never have. We have always been very disciplined. **■**

"From a business standpoint, I don't think the business is going away. If you don't think the business is going away, then this is the best time to buy radio stations."