



March 2, 2009

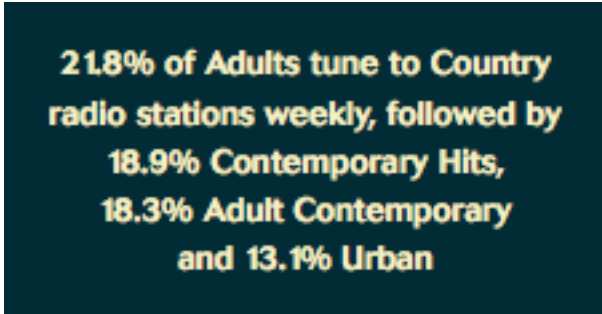
Big Format, Big Audience: Big Problems?

by Michael O'Malley and Jaye Albright, www.albrightandomalley.com

At first look, as Josh Turner's current song says, "Everything Is Fine."

From mid-January to mid-February 2009, Albright & O'Malley surveyed 14,000 country music listeners living in 150 cities and towns across the U.S. and Canada, and in a presentation for the annual A&O Pre-CRS client seminar, we'll reveal that from the audience's perspective, country radio is in very good health.

63.6% say they listen to country music on the radio for more than two hours a day. Only 2.4% of these folks report listening to their local country music stations "a lot less" compared to last year. 90.5% feels that country music is either about the same or has gotten better (46.1%) over the last twelve months. 64.6% told us that they are 'very satisfied' with their current favorite country station.

A dark blue rectangular graphic with yellow and white text. The text lists radio listening preferences: 21.8% of adults tune to country radio stations weekly, followed by 18.9% contemporary hits, 18.3% adult contemporary, and 13.1% urban.

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From: 2008 CMA Industry Overview

If only the financial side of the radio and music businesses were doing so well, making you wonder if Darius Rucker's top ten hit isn't correct and "It Won't Be Like This For Long."

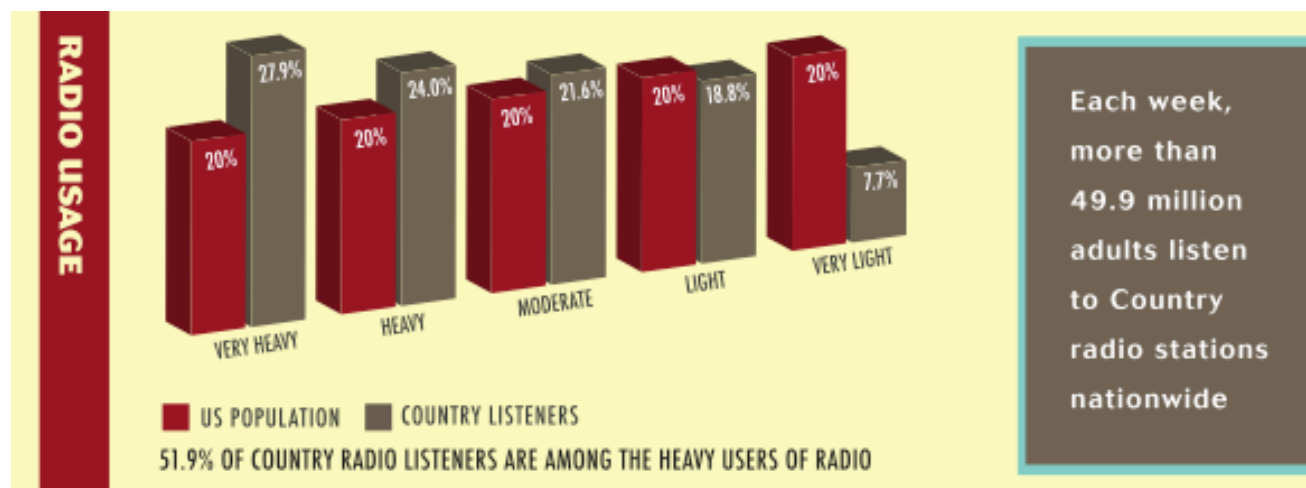
In a January 4 Country Radio Seminar Executive Memo, CRB's Ed Salamon spoke for a lot of us when he stated: "Like most of American business, Country radio's year ahead hangs on the hope for economic recovery.

"Radio revenues, as tracked by the Radio Advertising Bureau, have declined for 19 consecutive months. It hasn't helped that several major radio advertiser categories including Automotive, Retail and Financial Service, have been among the sectors hardest hit by the recession. Country has suffered somewhat less than other radio formats because it has a

higher percentage of stations in small and mid-sized markets, which have not been affected as much as those in larger markets.”

Other country 2009 factoids from Salamon:

- At the same time the number of radio listeners has grown from 232 million to 234 million over the course of the past year, according to the RADAR 99 study released by Arbitron in December, but Country may not be getting its fair share
- Inside Radio's February 2009 format tally indicates that there are now 2,023 Country radio stations (down from 2049 in December 2007) and 2,063 News/Talk Stations (up from 2025 in the December 2007 tally).
- Country radio, no longer the most-programmed format, still remains the dominant music format, since more stations broadcast Country than any other category of music. As a result of the large number of stations playing Country music, six of the top ten most played artists on American radio last year were Country artists, according to Nielsen Broadcast Data Systems.
- Taylor Swift was 2008's best selling music artist in all genres, but in spite of that fact Country sales were down 24% in 2008, according to SoundScan,
- Kenny Chesney and Rascal Flatts are among the top ten touring artists, according to Billboard.
- Songwriters and publishers are also doing better than ever, according to figures released at the end of 2008 from the performing rights societies. In 2008 both ASCAP and BMI reported record earnings, with increases of 10% and 7.2 %, respectively, and should continue in positive territory in 2009.



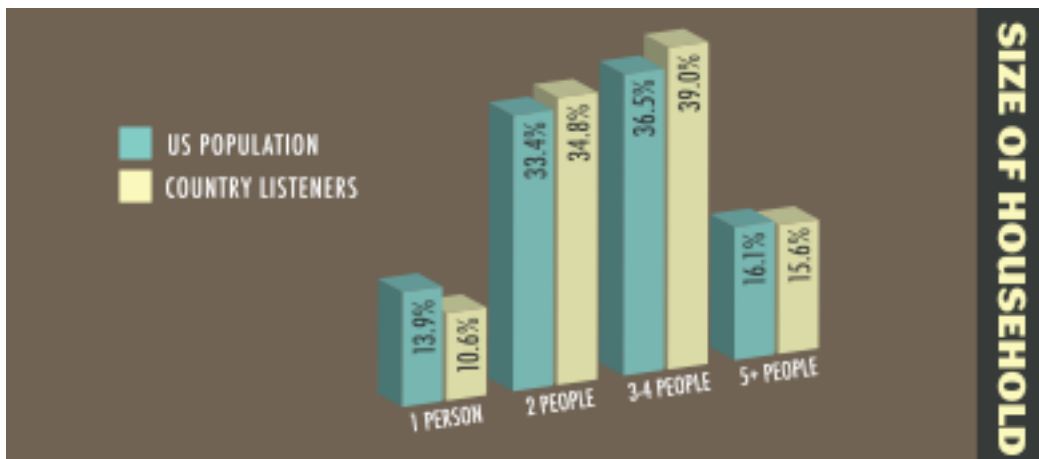
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The Third Annual Country Music Association Marketing Summit, held Nov. 11-12, in conjunction with the CMA Awards, played host to brand marketers and executives. The CMA released positive stats at that meeting on country's position in the music and radio marketplace. Some of those numbers are displayed throughout this report.

ABC-TV's ratings for the 2008 awards broadcast towered over Wednesday's prime time lineup—topping its nearest competition on the evening by 4.8 million viewers and by 72% in Adults 18-49. ABC ranked No. 1 for the night in both Total Viewers, Adults 18-49, all key Men and Women demographics (18-34/18-49/25-54), Teens 12-17 and Kids 2-11.

An estimated 34.6 million viewers watched all or part of the “The 42 Annual CMA Awards” during its 3-hour telecast.

Country's radio audience, similarly, closely mirrors the national population, is truly mass appeal.



Some very positive country headlines right now:

- Swift's album "Fearless" claims a 10th non-consecutive week atop The Billboard 200 despite a 32% drop in sales from last week, a feat unmatched by any album since Santana's "Supernatural" collected 12 weeks at No. 1 in 1999 and 2000.
- Naomi Judd will return to the judging panel for the second season of CMT's "Can You Duet."
- Grammy-winning duo Sugarland embarks on their first European tour throughout the month of March.
- Rascal Flatts is teaming up with retailer JCPenney for a wide-ranging marketing and promotion deal, Billboard.biz reports.



- Country superstar Brad Paisley leads the pack of Academy of Country Music Award nominees with six nods. Reba McEntire will host the 44th ACMusic Awards, set for Sunday, April 5th at 8 p.m, her 11th turn as host.

Less optimistic trends were tracked last week as IR's Mike Kinoshian released another initial mixed-methodology "Inside The Numbers" scoreboard of more than 50 Country outlets in top 40 metros where Arbitron still uses diary-based results followed by PPM tracking of country.

- In a slight irony, the smallest market in Kinoshian's sample (Indianapolis) proves to be the format's most potent locale, while the largest (Boston) comes in next to last. At a time when the format's charts are almost totally based on airplay in the largest metropolitan areas, country radio's share of audience grows larger as you move farther away from the big cities.
- Cox Radio/Orlando's "K92" (WWKA) is the only outlet in his Country illustration, notching at least a one-share fall-fall increase (+1.7). Approximately six of ten (59%) Country stations in Kinoshian's sample were down year-to-year; 39% improved; and one station (2%) was flat. Typical gains were +.40 while average losses were -.66. One in five declines (20%) was by at least one full share.
- Clear Channel maintains a commanding lead (better than two-to-one) and, in total, is down less than one share (year-year). With the exception of KWLI/Denver, all CBS Radio Country stations listed decline fall-fall whereas all three Cox Radio Country outlets are up. The Cox stations maintain the lowest commercial loads in the format in these rated markets, which we think explains the differences.
- Approximately one of three (35%) Country stations in the PPM sample were up year-to-year and 65% were down. Typical gains were +.45 while average losses were -.35. Christmas music in December and October-November elections seem to have negatively impacted country's shares in the final quarter of 2008.

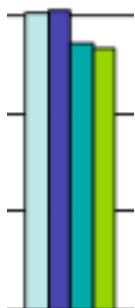
Tempering the bad news was the fact that January 2009 Arbitron PPM monthly ratings also came out just a week ago and there were more increases than decreases.

UP: In Los Angeles KKKGO rose 2.3-2.7 (20t-17), and it's back to being America's highest cuming country station with 1,132,700 6+ listeners. CBS Radio's WUSN, Chicago is up to its highest PPM share yet with a 3.9-4.4 move. Also growing: Entercom's KBWF, San Francisco 1.9-2.6, The Wolf, Dallas, 4.5-4.9 and crosstown KSCS 4.5-4.7. WXTU, Philadelphia was up 3.5-3.9, after being down for the last three months, causing concern that ethnic treatments of the PPM panel were harming country and WXTU's cume was down again by 67,100 to just 571,600, the station's lowest PPM cume since the market converted from diaries to meters. KFRG, Riverside's cume went up 19,800 to 317,200 and The Frog's PPM share was up 4.0-4.1.

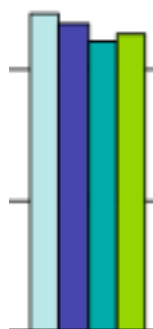


DOWN: Two out of three in Houston, as KKBQ dipped 4.0-3.3, Classic Country flew 2.0-3.2, topping KILT, which slid 2.9-2.7. KRTY, San Jose eroded 3.8-2.9 as their cume also dropped.

An average of all PPM monitored country stations, created for this report by Arbitron VP/PPM Sales John Snyder, shows that country's trend is off 18-34, but coming back up a bit in the last month, 25-54



PPM Country Format Trend Persons 18-34: AQH Persons: 60,500-61,300-54,300-53,300

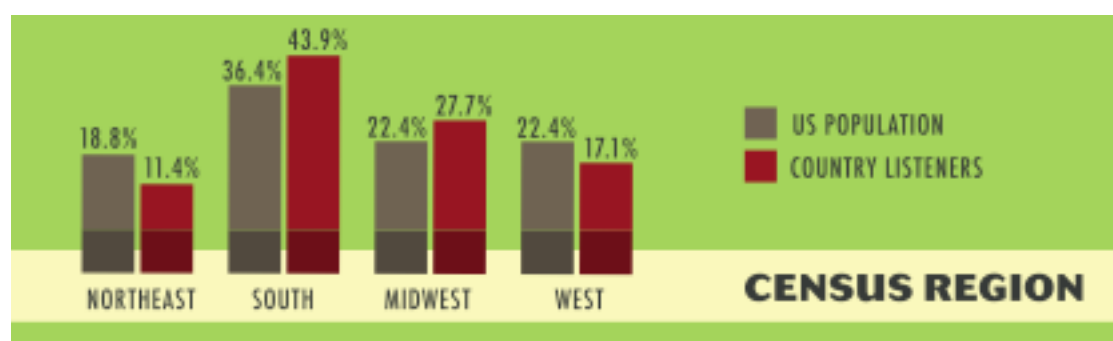


PPM Country Format Trend Persons 25-54: AQH Persons: 121,300-117,400-110,400-113,400



Markets include: New York, LA, San Francisco, Detroit, Chicago, Dallas, Houston, Philadelphia, Atlanta, Washington DC, Nassau, Middlesex, Riverside,

Given those trends, a very closely-watched session this week in Nashville will come Thursday as the CMA unveils key findings from its 2008 Country Music Consumer Segmentation Study.

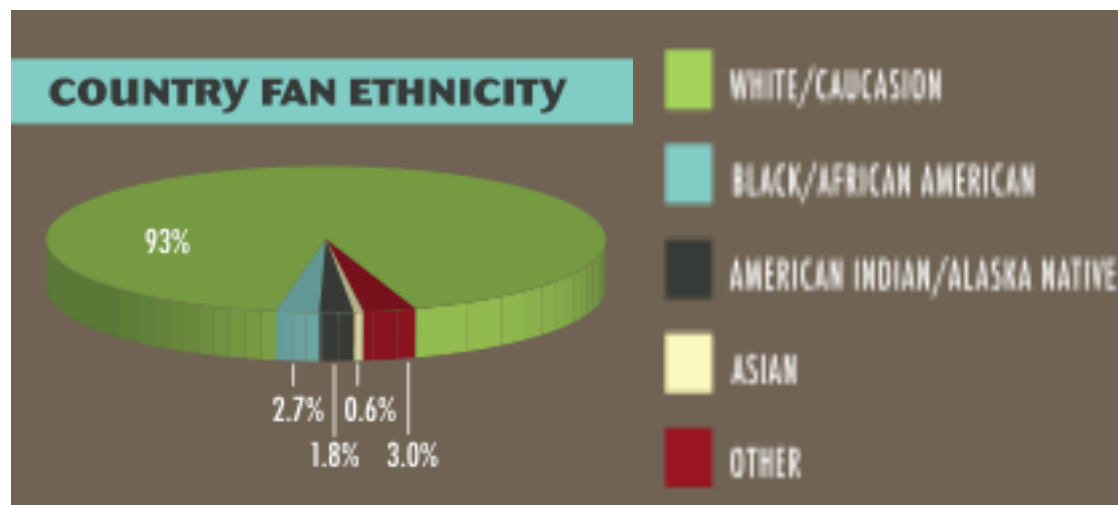


CMA made a significant investment in the research, which is the largest and most comprehensive study in the 50-year history of the Association. The compelling new findings



offer new insights into the Country Radio listener and Country consumer. The findings include information on Country radio, media usage, music consumption, and consumer analysis culled from a phase one sample of 7,000 individuals; a second sample of 1,850; and 10 focus groups from three regions of the country.

Carol Foley (EVP, Director of Research Services for Leo Burnett) and Jana O'Brien (former EVP, Chief Consumer Officer for Starcom MediaVest Group and current Principal for The Right Brain Consumer Consulting, LLC) will present the session, which takes place at 9:00 AM/CT, Thursday, March 5. Leo Burnett Company and Starcom MediaVest Group conducted the qualitative and quantitative research study.



Meanwhile, A&O tracks national averages on perceptions and music for currents, recurrences and gold titles each quarter and it won't surprise us to see some bad news in the CMA data.

Last year's top testing "current" tune with A&O client station listeners was Kenny Chesney's "Don't Blink" which received most of its airplay in 2007 but remained a current through January 3, 2008.

The next highest tester, and the top song played exclusively in 2008 is Alan Jackson's "Good Time." Kid Rock's "All Summer Long," George Strait's "I Saw God Today" and Rodney Atkins' "Cleaning This Gun" comprised the rest of the top five.

Collectively the average Like A Lot and Total Positive scores for all songs are similar compared to last year, with the average Like A Lot score fractionally better and the average Total Positive score slightly worse. However isolating the top and the bottom 1/3 testers, both groups show weaker scores.

The gap in both the Like A Lot and Total Positive scores between the top 1/3 and the rest of the tested songs remains significant as we have seen in years past; however this is the softest testing Like A Lot scores we've seen since 2002 and the softest Total Positive songs we've seen in 9 years.



Superstar presence in the Top 15 of 2008 titles was the lowest we've seen in recent years. There were also fewer new artists in the Top 1/3. Comparatively weak Superstar presence and the lack of break-out new artists is a recipe for ennui, and likely contributed to softer music scores.

Among gold titles, Toby Keith currently has the most songs in the Top 100 (9) followed by Tim McGraw (8), Garth Brooks (8), Alan Jackson (5) and Rascal Flatts (5) and Kenny Chesney (4). This was the fifth consecutive sweep that Toby has placed the most songs in the Top 100; for the four reports prior to this, Toby and Garth had tie for most songs in the top 100.

When sorting on 'Young' (20-39) listener preferences only, the top artists and song numbers are: Keith (10), Chesney (8), McGraw (8), Brooks (7), Jackson (6) and Flatts (5). 79% (vs. 82% last sweep) of the songs in the top 100 were male solos/groups (male-female duets are counted as a female song) – the lowest point since fall 2007. Female artists continue to test better with women listeners than they do with men (see below). Men have a greater percentage of Tempo songs in their Top 100 than do Women (see below).

Chronological data is in part a function of what songs stations have chosen to test. In other words, what goes in also comes out. With that as a caveat, over the last two quarters we've seen about a 10% drop in the early 2000s making the top 100, about half of which was offset by a slight increase in songs from the 2005-2008 era.

2000-present remains the largest provider of songs in the Top 100 with 52% of the Top 100 being from this era. About 30% of the Top 100 continues to come from the 90s. The 80s, which fell out of double digits a year ago, continues to account for less than 10% (8% this winter)

The Top 100 testing songs for Men and the Top 100 testers for Women revealed some critical and increasing differences. Men like their country music more uptempo and older, while women listeners, who comprise at least 55% of the audience like it newer and more varied in tempo. It's getting more and more difficult to satisfy both male and female country radio listeners on the same station.

Brad Paisley had two songs in the Top 10 A&O tracking of currents and recurrents this year (last year there were two artists - Rascal Flatts and Carrie Underwood – who each placed two songs in the top 10 in 2007 although for each artist, one of those songs played for 6 weeks or less that year). Previously, the last artist to have multiple songs in the Top 10 for the year was Toby Keith in 2003. With one additional song, Paisley had three make the top 15. Unlike last year when Kenny Chesney, Tim McGraw, Rascal Flatts and Carrie Underwood each had two songs in the top 15 and Rascal Flatts, Keith Urban, Montgomery-Gentry and Sugarland each had two songs in the Top 15 in 2005, no other artists placed multiple songs in the Top 15. With 3 songs, Paisley placed the most songs in the Top 1/3 followed by Kenny Chesney, Alan Jackson, George Strait, Taylor Swift, Sugarland and Carrie Underwood who each had 2. Last year Tim McGraw placed 4 and Brad Paisley 3.



55 different artists appeared in the year-end list of researched currents of 2008 (up from 52 last year). Seven “New Artists” (first time on country charts) scored at least in the top ten rankings or better at our client stations in their local music research average. Only 3 new artists scored music in the top 1/3; their music accounted for 10% of all songs in the top 1/3 – the smallest percent since we’ve been tracking this data.

As we see every year, there is considerable variance between what listeners tell us what they want to hear vs. what stations actually spin in the monitored charts.

This year, 37% of the Top 1/3 best testing songs were NOT among the top 1/3 most spun songs. Thus a significant number of listeners’ favorite songs were under-spun by a number of stations.

Competitively, a station programming their music by spins alone, would be presenting a music mix of currents only approximately 63% as powerful as stations programming in response to listener tastes and preferences.

Problematically, from our perspective at least, this comes at a time when more and more stations are cutting back on any form of local research, their marketing and several major group owners no longer even utilize outside, objective advisors.

It’s precisely those short-term cutbacks and the resulting pressure on product quality on both the label and radio sides of our business, necessitated by unsustainable leverage many companies took on over the past decade, which could soon come home to roost, making for what might indeed become a “Big Problem” for our businesses’ long-term future, just starting to be evidenced in those troubling fall and winter trends.

Will Carrie Underwood and Randy Travis get the final word not to far in the future -- as they woefully sing “I Told You So” to more than one of today’s consolidated, downsized owners as loyal listeners and fans wonder what happened and why?

Albright & O'Malley, The Country Radio Specialists, is the world's largest country consultancy, For more info: www.albrightandomalley.com, Mike O'Malley's blog is at <http://mikeomalleyblog.blogspot.com/> and Jaye Albright's blog is www.jaye-albright.com.

