ELEVEN CASE STUDIES IN BROADCASTING MANAGEMENT BASED ON ACTUAL STATION PROBLEMS

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ABSTRACT

ELEVEN CASE STUDIES IN BROADCASTING MANAGEMENT BASED ON ACTUAL STATION PROBLEMS

by Richard Alvin Egli

The thesis, using the case study method developed at the Harvard University Business School, presents eleven original cases in radio and television station management. The cases were gathered through personal consultation between the author and management people at various radio and television stations. The cases are presented for individual or classroom use.

Case one presents a personnel situation in which an employee is offered a position at another place of business where the pay scale is greater. The second case concerns the problems management has when it deals with the results of an incident which has created serious unfavorable publicity for the station. Case three presents the problems involved in collecting a delinquent account. Case four indicates some difficulties facing a station manager in attempting to fairly allocate religious time to various groups. The fifth case examines competitive practices of

one station against another station as they affect the first station. Case six deals with the problem which arises when an established editorial screening procedure malfunctions to the detriment of the station. The seventh case indicates some of the advantages and disadvantages of network affiliation as a manager attempts to determine whether or not to continue an affiliation. Case eight raises the questions of the values and functions for a station of a national sales representative. In case nine, the problems involved in making an individual sale of time are examined. Case ten deals with the decision required in making a necessary move of the physical facilities of a broadcasting organization. The final case examines a station's profit and loss statement in order to evaluate possible areas of increased expenditure.

Also included in the thesis are a brief discussion of the case method itself, the methodology used in preparing the case histories in the thesis, and some suggestions for future areas of possible case history exploration in radio and television management.

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By

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Although many persons contributed to this thesis, the final responsibility for all parts rests solely with the author.

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CHAPTER I

THE CASE STUDY METHOD

In September of the year 1908, Dean Edwin F. Gay, the first dean of the Harvard Business School, planted the seed in the field of business for what is today known as the case study method of teaching. Dean Gay accomplished this by transplanting the idea from the Harvard Law School where it had flourished for some time in the form of actual court decisions used for teaching purposes.[1]

The case study method had also been extensively used before in medical schools which drew cases from hospital and clinical records, and in schools of science where laboratories and records of experiments were available. So the concept of the use of actual cases in the classroom was not a new one, although, through Dean Gay, it was new to the classrooms of a school of business.

The case study method itself can best be defined as the use of a written report of an actual business situation

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[1]Malcolm P. McNair and Anita C. Hersum, The Case Method at the Harvard Business School (New York: McGraw-Hill Book Company, 1954), p. 25.

as the basis for discussion, analysis, and possible solution by a group of students under the leadership of an instructor. The purpose of the case study method is to create in the student analytical and decision-making skills through participation in realistic experiences.

The case study method can also be used with some success by an individual without the benefit of an instructor and a classroom situation, but, because the maximum effectiveness seems to come through group interaction, the discussion here of the case study method will center around the ingredients mentioned in the definition; i.e., the case in writing, the students, and the instructor.[2]

A brief discussion about each of these three elements may prove to be valuable to the reader at this point.

A case is an account of a business situation written generally from the viewpoint of one of the individuals directly involved in the situation, and frequently from the viewpoint of the person required to respond directly to the situation. Consequently, the cases in this thesis are written primarily from the viewpoint of radio and television management personnel.

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[2]Two excellent examples of books which use the case study method and can be used for personal or classroom study are: Richard R. Still and Edward W. Cundiff, <u>Sales Management, Decisions, Policies, and Cases</u> (Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1957); and Keith Davis, <u>Human Relations at Work</u> (New York: McGraw-Hill Book Company, 1962).

Further definition of what constitutes a case is found in a book of cases by Lynn L. Bollinger and John S. Day when they call attention to the fact that:

> A typical case seldom presents all the facts the student might like to have to guide his decision. It frequently presents solely the presumed facts, opinions, and points of view held by one or more of the people involved, and hence leaves those discussing the case with only the information that the persons in the actual situation possessed at the time.[3]

A typical case does not lead the student to a predetermined answer. The case may have no single "right" answer because more than one solution may be possible. In many cases the alternatives are not even presented as such, but must be determined by the student from the given information.

The occasional use of irrelevant material in a case is a deliberate attempt to force the student to be selective in seeking information on which to base an assumption.

Today the individuals who are exposed to the case study method range from the college student who has the opportunity to work with the case study method in the classroom, to the business executive who has the opportunity to

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[3]Lynn L. Bollinger and John S. Day, <u>Management of New Enterprises, A Casebook of Problems on the Establishment and Operation of New Businesses</u> (Homewood, Illinois: Richard D. Irwin, Inc., 1954), p. 3.

work with the case study method in a company sponsored course.

The term "instructor" is almost a misnomer when applied to the case study method because the role of instructor is only one of many roles which the leader of the class must be able to assume. He must at times be student, interrogator, resource person, diplomat, disciplinarian, and administrator. These are roles which he must be able to display on an almost chameleon-like basis depending on the course which the discussion takes. For, above all else, the instructor is responsible for the value of the discussion over which he presides.[4]

The case method of study can be contrasted with what is the common method now in use in most of our educational institutions. The common method might well be termed a "recapitulation of human experience."[5] This is a kind of condensation of what man has learned which is glibly paraded in front of the student through lecture and other audio-visual means, and which the student commits to memory.

The common method in use in most educational institutions has one serious disadvantage which an unknown student satirically slashed with the following limerick:

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[4]McNair and Hersum, *op. cit.*, p. 98.

[5]*Ibid.*, pp. 3-4.

> A student of business with tack
> Absorbed many answers he lacked.
> But acquiring a job,
> He said with a sob,
> "How <u>does</u> one fit answer to fact?"[6]

The limerick points out the fact that the common method of teaching fails to provide a means by which the student learns the proper application of his knowledge.

This method does, however, have many advantages to recommend it. It is efficient in administration; it is relatively easy to handle from the point of view of both the student and the instructor; it is economical of the time, patience, and energy of both parties; and it does produce excellent results in terms of acquired factual knowledge.

The case study method, on the other hand, is ungainly to administer; is more difficult to handle by both the student and the instructor; is inefficient because of a lack of a scale of accomplishment; produces factual knowledge as a by-product rather than an end in itself; and produces varying results in terms of student progress.

This method does, however, have on advantage which is of paramount importance. It is the best method short of experience itself for training in reasoning and action.

In commenting on this merit of the case study method, Arthur Stone Dewing of the Harvard Business School said,

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[6] *Ibid*., p. 11.

> The case should be used with the clear consciousness that the purpose of business education is not to teach truths--leaving aside for a moment a discussion of whether there are or are not such things as truths--but to teach men to think in the presence of new situations.[7]

Admittedly there is nothing short of experience itself which will provide the wisdom of experience. The case study method seems to be closest to experience in providing a student with a situation which requires careful analysis and judgment.

Along with this teaching of thinking, the case study method provides several significant side benefits. We have already noted that the acquisition of factual knowledge is considered a by-product. This comes about when a student finds it necessary to study the background of a particular aspect of a case in order to be able to intelligently discuss the case in class. For example, the student must learn something about a financial report if the case under study concerns the financial situation of a company which is having investment difficulties in foreign lands.

Other equally important by-products include a learning of the skills required to work with a group; the development of an appreciation of the abilities of a group; the learning of the habit of decision-making within the framework of a given amount of time; and an appreciation of the tasks of an administrator through the evaluation of many

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[7] Ibid., p. 3.

experiences (albeit synthetic experiences).

Lest the author seem to indicate that the case study method provides the millenium in education, these additional disadvantages should also be noted.

The case study method is not and cannot be experience itself because there is no implementation of any decision which might be reached by the class. Because of the limitations of the printed page, the case study method does not convey the subtle overtones which may be present in an actual situation. Further, since the case itself is limited to the author's presentation, the student has no training in the recognition of a problem.

The fact that the Harvard Business School under the leadership of Dean Wallace B. Donham spent over two million dollars in securing cases between the years 1920 and 1940 is indicative that with all the admitted faults, the case study method is still of significant value in business education.[8]

In the course of acquiring cases at Harvard, many cases in general business which could be used as a basis for general management discussion have been collected. However, only seven of these cases are directly concerned with broadcast situations.[9]

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[8]*Ibid*., p. 33.

[9]These cases were as follows: cases 1G20, 1G31 and 1G49 in The Selected Cases Volume (1961), cases 7G146 and 7G147 in Volume VII (1962), and cases 9G54 and 9M88 in Volume IX (1965) of the *Intercollegiate Bibliography*, *Cases*

A few other cases directly concerned with broadcast situations have been developed by the National Association of Broadcasters for use in their yearly seminar at Harvard University and for use in their regional meetings, but these are not available for other uses.[10]

A review of the dissertations and theses which have been prepared in the broadcasting field indicates several station histories from which cases might be created.[11] However, only two theses were found which would be suitable for use as a basis for classroom discussion.[12]

This thesis, therefore, is an attempt to provide additional cases for use in broadcasting management study by means of the case study method.

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in Business Administration, compiled by Grace V. Lindfors, Intercollegiate Case Clearing House, Soldiers Field, Boston, Massachusetts.

[10]For further information on the management seminars and regional meetings, the reader is referred to the National Association of Broadcasters, 1771 N Street, N.W., Washington, D.C.

[11]Two examples are Charles F. Cremer's "A Case History Study of WRCK Radio, Rockford, Illinois," done at the University of Illinois in 1961, and Earling S. Jorgensen's "Radio Station WCFC, a Study in Labor Union Broadcasting," done at the University of Wisconsin in 1949.

[12]These two are Martin P. Busch's "A Study of Personnel Problems at Certain Educational Stations," done at the State University of South Dakota in 1960, and Edward Fenner Douglass' "A Case Study of 'Formula' Radio - 1961," done at the University of Wisconsin in 1961.

CHAPTER II

DISCUSSION OF METHODOLOGY

The purpose of this thesis is to present actual case studies in some of the many unexplored areas of radio and television management. It was recognized that while this study would add depth and breadth to the little which is now available, it would be a mere beginning in the quest for cases which could be collected.

As a preliminary to this data gathering, a number of possible case study topics were considered. These topics were in the areas of: personnel, programming, engineering, sales, community relations, automation, legislation and network relations.

Following a preliminary analysis of the possible areas of investigation, various radio and television stations were surveyed in terms of the experiences they might have had which would be of value. The author's background as a radio station manager was also considered in terms of possible usable experience in the interviewing of station personnel and the sorting of important information.

Following this, management at several of these stations was contacted with the request for an interview of not less than an hour.

It is a credit to the broadcasting profession that, without exception, the individuals contacted made either themselves or equally knowledgeable substitutes available for interview. The credit is even greater when it is realized that these people were aware that their stations and they themselves would remain anonymous throughout this thesis because of the nature of the material involved.

Aside from the grateful appreciation of the author, the only reward which any contributor was given was the reward of satisfaction in having made a contribution to education in the broadcasting field. This reward was enough to permit the author interviews which lasted from one to several hours in length.

At these interviews the author took extensive notes. Following this, each discussion was given "the often tedious process of creating a case which is readable and accurate."[13]

Following this creation of a case, it was incumbent upon the author's advisor to read and edit the case.

After this initial editing, the case was rewritten as necessary and resubmitted to the advisor for final approval.

Upon receiving this final approval, the case was sent to the person from whom it had been originally received.

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[13] *Ibid.*, p. 276.

Along with the case went a release form which indicated that the case was approved for inclusion in this thesis and for general educational use.[14]

Some final notes of explanation are in order concerning the cases which are included in this study.

Most names and places in these cases are disguises which are strictly figments of the author's imagination. Any resemblance to actual persons or places is strictly a coincidence.

As is usual in the case study method, there are no solutions included with this thesis. Since these are all actual cases, the actual solutions are on file with the case clearance forms in the Department of Television and Radio at Michigan State University. However, as is sometimes the situation, the actual solution did not always prove to be the best solution. Frequently, if the author has properly performed his task, more than one solution will appear to be logical.

Since these cases are somewhat of a pioneer effort in the field of radio and television and are intended for use by advanced undergraduate students, alternative solutions are provided. These have been clearly drawn for simplification of their use by either a class or an individual.

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[14]See appendix for a copy of the release form used, as well as a copy of the letter of transmittal which was sent with the release form.

Although each case has been presented so that it is a complete entity which can be used without reference to any other case, the author has provided some order which may be helpful to the reader.

The first case presents a personnel situation in which an employee is offered a position at another place of business. Since a majority of problems confronting management revolves around personnel, this typical case makes an excellent starting point.

Case number two concerns the public relations involved when a station promotion inadvertantly receives some very damning publicity. This provides excellent training in analysis of important factors in a highly emotional situation.

The third case moves to the area of credits and collections to provide a basis for considering station action in terms of community reaction as well as the reaction of an individual station account.

Case number four also includes concern for community and church reaction which might be sparked by an improper decision regarding the fair allocation of religious time in a small market.

The fifth case raises the question of reaction to competitive practices in a market. The material here provides profitable bases for considering how to meet and overcome competition.

In case number six a view of malfunctioning in an otherwise orderly editorial production system provides material for decision-making in an area where error has already occurred.

Case number seven presents the problem of whether to continue or abandon a network affiliation. This brings into consideration the merits and demerits of affiliation with a large network.

The eighth case approaches the sales area. The value of a station's national sales representative is questioned, necessitating consideration of the values of such a representative, and requiring some research as to the normal functions of a station's national sales representative.

Case nine analyzes the problems involved in creating an individual sale at a station. This case permits consideration of the methods of selling broadcasting, and the entire sales area.

The tenth case provides for decision on an important move of a station's physical facilities. The many factors involved in such a decision are applicable to almost every station.

Case number eleven includes the analysis of a profit and loss statement in order to determine how to plan a budget for the following year.

Each case provides learning possibilities in the specific areas mentioned above. In addition to these, however, it is hoped that each case will stimulate the reader's thinking, and thus provide, individually or through group discussion, further avenues of learning possibilities in other related areas.

CHAPTER III

CASES

WXXX PERSONNEL PROBLEM

WXXX is a thousand-watt daytime AM radio station located in the town of Towton. Towton, with a stable population of about 5,000, is the county seat of Branch County. Because Towton is located on Lake Corvey and is a popular family resort area, tourists increase the population considerably in the summer.

Tourism, in fact, is the prime factor in the economy of Towton, even though there are a few small industries in the area. Because of the short tourist season and the lack of industry, year round employment opportunities are limited. Many of the young people of the area have moved to larger cities and there is little in the way of semi-skilled or skilled labor available in the area.

WXXX, in keeping with the size of the small market and the resultant small budget, operates with a minimum number of employees. The operation includes a general manager, a salesman, two engineer-disc-jockeys, and a secretary-receptionist.

The engineer-disc-jockeys record engineering meter readings along with the playing of records and announcing. The secretary-receptionist answers the phone, types the logs, performs bookkeeping, greets visitors, writes copy, and, on occasion, is the female voice in recorded commercials.

WXXX recently has been broadcasting a considerable number of commercials for the Cosmopolitan Gas Company. This company has been vigorously campaigning for a franchise to bring natural gas into the Branch County area. WXXX also has been broadcasting a few announcements from the Citizens Power Company. Citizens Power Company is the area electricity supplier and had been planning to bring natural gas to the area sometime in the future. Since only one franchise is practical in Branch County, the Cosmopolitan Gas Company campaign has now forced the Citizens Power Company to seek the franchise sooner than it had planned.

Citizens Power Company traditionally has been conservative in the use of advertising in general and WXXX radio in particular. Cosmopolitan Gas Company has an aggressive record in the use of advertising in areas which it serves.

When the franchise question was finally put to a vote in Branch County, the Cosmopolitan Gas Company was granted the franchise. One of the key issues of the campaign was the issue of providing additional jobs for the area. Because Citizens Power Company already had an office in Towton, Cosmopolitan Gas Company claimed that more jobs would be provided for the area when a new Cosmopolitan Gas Company office was created in the city.

In the weeks that followed the franchise vote, Cosmopolitan Gas Company contracted for a five minute news program five days a week on WXXX. Although the program was purchased for only thirteen weeks, indications were given that when the new advertising budget is created during this thirteen week period, a yearly contract for the news program may be included.

Cosmopolitan Gas Company also made preparations for the installation of gas and for the opening of an office in Towton.

In making preparations for installation, Cosmopolitan Gas Company hired some of the installers who had been working for L-P Gas Company, a local liquid-petroleum gas organization which did not advertise on the station. The L-P Gas Company manager was very unhappy about this situation. He indicated to anyone who would listen that he could not afford to compete with the wages which Cosmopolitan Gas Company had offered his installers.

Cosmopolitan Gas Company soon starts to staff its local office. Among the people who are hired for the office staff is a member of the local weekly newspaper staff. Edwards has heard that the local weekly newspaper editor is not pleased. Shortly after Edwards hears of this hiring, Norma Hoesmer, the WXXX secretary-receptionist comes to him and says that she has been hired to work in the Cosmopolitan Gas Company office, and, in order to be able to attend the training school which is being held for new workers, she will be leaving WXXX in just one week.

Mrs. Hoesmer is a middle aged woman with two children. Her husband had been sales manager for a local trailer factory, the Anderwell Company. The Anderwell Company had had some labor strife in the recent past. This strife, combined with internal friction and decreasing sales had caused the company to close the local plant. This had left Mr. Hoesmer unemployed for a week or two.

However, Hoesmer and several of the other former workers at Anderwell have now started to operate their own trailer company. From Mrs. Hoesmer's reports on the new company, it is doing "all right, but nobody is getting rich."

Mrs. Hoesmer has been with WXXX for about three years. In this time she has shown loyalty and conscientiousness in her work. She has been willing to work holidays in order to get logs prepared. Being a native of the area, she has been able to advise Edwards on the probable effects which certain courses of action in programming and sales might have on area merchants and listeners. In short, she has proven to be a valuable assistant to Edwards.

However, Edwards realizes that Mrs. Hoesmer is not perfect. He realizes that her telephone manner and her "air" voice are not the most desirable, even though he has worked with her in attempting to improve them. He also realizes that he is not entirely satisfied with the copy which Mrs. Hoesmer writes, and he frequently has had to rewrite large portions of this copy.

In announcing her decision to leave, Mrs. Hoesmer has seemed to lack enthusiasm for the new job.

After giving the matter considerable thought, Edwards calls Mrs. Hoesmer into his office for further talk on the matter.

Mrs. Hoesmer indicates that she is not enthusiastic about the new position, but that the pay is ten dollars a week greater than her current wage. She further indicates that she will have all holidays off at Cosmopolitan Gas Company. She points out that this is probably not possible in radio because of the fact that WXXX broadcasts 365 days a year.

Edwards knows that ten dollars a week is more than he can afford to raise Mrs. Hoesmer's wages.

He realizes that Mrs. Hoesmer is not completely happy with the change which she is about to make. He feels that basically she is doing a competent job on the multifarious duties involved in her present position.

Edwards also knows that a replacement for Mrs. Hoesmer will be difficult to find in Towton, particularly since the hiring practices of Cosmopolitan Gas Company have already created vacancies in other desirable positions in the area. He knows that it will probably take six months to a year of training and practice before a new secretary-receptionist will be able to adequately fill the position, and that during this period, he will have to devote some of his time to training the replacement and to doing some of her work.

On the other hand, since Edwards does not yet know the local manager of Cosmopolitan Gas Company well, he is not certain what retaliation might take place if Mrs. Hoesmer stays at WXXX after having accepted the Cosmopolitan position. Would the Cosmopolitan Gas Company manager cancel the existing contract? Would he fail to renew? Would WXXX be blacklisted from ever getting further Cosmopolitan advertising?

Edwards indicates to Mrs. Hoesmer that he is pleased with her work in general, and that he considers her a vital cog in the WXXX wheels. He asks her what it would take to have her continue to work at WXXX.

Mrs. Hoesmer says that she does enjoy working at WXXX, and that if she could have holidays off, and have an increase of five dollars a week in wages, she would stay.

One day of the week's notice which Mrs. Hoesmer has given Edwards is now gone. Edwards knows he must make a decision rapidly and act upon it.

THE WRRR TRAGEDY

There was the headline in bold print...ROCK AND ROLL DANCE SPONSORED BY ROCK AND ROLL STATION, SCENE OF TRAGEDY. Ronald Rogers put down the paper, leaned back in his chair, and tried to ease the tension which had been building in him since the night before.

Rogers was general manager of WRRR, the contemporary music station in Kingston, a three-station city of about 150,000 people.

Rogers had mixed emotions about the incident which had occurred at the station-sponsored dance the night before. An eighteen year old U.S. Air Force private in civilian clothing had been stabbed to death in front of several spectators as he walked down a flight of stairs to a refreshment and recreation area located below the main dance floor.

Of course Rogers was sorry that the whole thing had happened and that a young man was dead because of a chance comment. Still, it was a comment which had no reason to be made.

Witnesses had said the Air Force man was coming down the stairs and the fifteen year old Mexican assailant was going up the stairs when the Air Force man, who had been drinking, had made a comment about the "rotten Gringoes."

The young Mexican, feeling his honor had been violated, flicked out a switchblade knife and stabbed the Air Force private in the stomach before any of the startled onlookers could interfere. The Air Force man had been rushed to the hospital, but hospital records now listed him as DOA ...dead on arrival.

And so it was that Rogers saw the headline in the morning paper. The paper was one of two in the city, the other being an evening paper.

Rogers thought back to how something that had started out so simply had suddenly become so complicated.

Kingston had a good recreation department which held dances for teenagers every Tuesday, Friday, and Saturday evening during the school year. But in the summer, the Kingston Recreation Department had been holding the dances only on Wednesday evenings because of poor attendance in previous summers and the difficulty of securing qualified personnel to run the dances.

This cut-back in recreation during the summer gave some of the disc jockeys at WRRR the idea of holding dances on Saturdays. Since WRRR is a 5000-watt fulltime operation playing contemporary music, Rogers had recognized that such a dance would provide a real service to the Kingston teenage population. He had also been wise enough to see the many pitfalls which could accompany such an undertaking. He had carefully set up a strict set of rules which were well thought out to try to prevent problems from developing.

Only those young people who were between the ages of 12 and 18 were permitted to attend the dances. This rule was enforceable because the state in which WRRR is located has identification cards issued in all schools. These, along with drivers' licenses and Air Force Identification Cards provided the means for checking the ages of all young people attending the dance.

Blue jeans, slacks, and pedal pushers were forbidden, while jackets and ties were encouraged. At least six adults and two policemen were on hand at all times to provide adequate adult supervision.

Although drinking is permitted in this state at the age of 18, no drinking was permitted at the dance, and, once inside, dancers were not permitted to leave the dance and then return. This rule was calculated to prevent the possibility of any of the teenagers hiding bottles in cars in the parking lot and then slipping out for drinks during the course of the dance.

As Rogers had expected, the WRRR dances were a tremendous success. The admission charge of 50¢ and the presence of two disc jockeys and a live combo at each dance proved to be lure enough to amass an average of 500 teenagers each week during the summer.

When school sessions were resumed in the fall, the city-sponsored dances were also resumed on Saturday. Because of teenage demand, and because the city-sponsored dances had no disc jockeys and did not always have a live combo, Rogers had permitted the WRRR dances to continue.

As a result, both dances were run each Saturday night. The only difficulty which was now encountered was that the teenagers wanted to be able to travel back and forth between the two dances. In order to make this possible, the WRRR dance inaugurated a hand stamping procedure similar to the one the city dances had been using. This permitted the teenagers to leave the dance and be readmitted at a later time.

With this new hand stamping technique, both dances prospered. WRRR did not profit financially from the dance, but Rogers had originally set the dance up on the premise that if the dance could be made to break even, the resultant publicity would be reward enough for the station.

Rogers thought of the paper he had been reading and smiled ironically at the thought of "resultant publicity."

The dance had been operating successfully for almost two years before the knifing occurred. The only other incidents which had occurred in the course of that time had been a couple of fist fights. Both of these had been quickly broken up by the adults or the policemen who were on hand.

However, Rogers had noticed in the last six months that an obviously rougher element of teenagers had started attending the dances. This was at least partly due to the presence of the Air Force base located near Kingston, where, through word of mouth advertising, the dance had progressively become a Saturday night habit for more and more airmen. These young men met the age requirements of the dance but were less restrained by parental authority and peer relationships than were the teenagers of Kingston.

Only two weeks prior to the knifing, Rogers had issued a memo requesting the supervisors to be especially careful in checking the identifications and in making personal observations in order that the rougher element would not be admitted.

But in spite of the memo, in spite of all the precautions taken, tragedy had struck, and Rogers was faced with an immediate problem of considerable consequence.

Should he permit the dances to continue, or should he summarily cancel them?

Rogers thought of the probable consequences of each choice.

If he cancelled the dances, there would probably be a few weeks of unfavorable publicity which might then fade out. This unfavorable publicity would, however, probably result regardless of any decision which he could make simply because an unfortunate incident had occurred and WRRR had been unfavorably connected with the incident by the paper.

Still, if he cancelled the dances, it would be an admission of sorts that what WRRR had been doing was wrong, or, at best, that the project had been poorly administered. This, Rogers firmly believed, was not the case. He was con- convinced that the happening of the previous evening was an abnormal incident which could have happened anywhere. He did not feel that the incident was an accurate reflection of normal conduct at the dances. Yet he was certain that the morning paper, which was not friendly to WRRR anyway, would paint a much more lurid picture for its readers.

On the other hand, Rogers could let the dances continue as a service to the community. As a result of the publicity of the incident, however, the attendance might be reduced and the dances might not be able to continue to sustain themselves financially. Still, this course of action could, in effect, let people know that the manager of the station did not feel he had done anything wrong or was guilty of creating or adding to juvenile delinquency.

Obviously, Rogers saw that there was no 100% right decision in this situation. He was aware that whichever choice he made, there would be members of the public who would damn him and WRRR. Yet some sort of a decision had to be made.

Rogers could continue the dances as they had been previously run, with an explanation to the public that the station believed in the good which the dances created and therefore would not permit one extreme incident to spoil this service to the community.

He could continue the dances, but limit the ages to between 12 and 17, and thereby eliminate the age group which could legally drink. He could also limit the attendance to legitimate students. Either of these rulings might serve to cause a decline in attendance.

Rogers could cancel the dances for the balance of the year and start them again the following summer. This might permit all unfavorable publicity to subside and still permit the station to continue its public service.

The dances could be cancelled permanently. Then the station could become known as an organization which took action when it had to be done to prevent further tragic happenings of this sort.

WZZZ COLLECTION

WZZZ is an amplitude modulation station in a city of 5,000 people. The station serves a summer resort area which has little industry. Because the station is barely one year old, and because the area is small, there has been little regional and national business on the station. Since local merchants had had no experience with radio prior to the arrival of WZZZ, they are still somewhat skeptical of the merits of radio advertising.

These factors have contributed to the substantial losses which the absentee owner, John Stark, has been forced to absorb thus far. Since Stark lives about 150 miles from the station and has his hands full in his position as manager of a business association, he is rarely able to travel to the station. It is a fact, however, that Stark can ill afford the losses which the station has accumulated. Evidence of this is in the low pay which has caused a turnover in staff members, and which has been a contributing factor to the station having five managers in its first year of existence.

It is no secret among advertisers and listeners in the small community that the station is in financial difficulty.

For the past two months the station has been run by George Green, an interim manager who has been hired on a part-time basis to hold the station together until such time as a permanent manager can be located. Green lives about 75 miles from the station and drives to the station about three days a week to keep things in order. He is a free-lance musician who has worked at a resort in the area during the summer.

When a new station manager, Frank Jamison, is hired, Green is available to get him started.

Jamison has had some commercial announcing experience along with a variety of educational broadcasting experiences. He has accepted the position of station manager as an opportunity to get into station management. He has been hired partly because of his ability and enthusiasm, and partly because of the fact that Stark does not feel that he can afford someone who had had extensive experience in the radio field. Jamison is working on a salary plus a percentage of gross billing. Since the station has been billing only about $1500 per month, Jamison feels the situation offers rich opportunity to increase the billing, and thus his own income.

As Green and Jamison get together, they discuss the many problems which the station faces. One of these problems is the reputation which the station has in the community.

At least two sets of circumstances have served to downgrade the station's reputation among the rather tightly knit group of area merchants.

One set of circumstances concerned the past credit of WZZZ staff members. In at least two instances, staff members had left unpaid bills in the area when they had terminated their employment at the station. As in almost any small business in a small community, the bad behavior of the employees had left a stigma on the station.

The other set of circumstances concerned an outside sales crew which Stark had hired out of financial despara-tion. This crew of salesmen sold a "cut-rate" package plan of commercial announcements to be used on WZZZ over a period of one year. These commercial packages were sold with a high pressure presentation by men of questionable reputation and scruples whose sole function was the creation of a signed legal document which would bind a merchant to pay a fixed amount of money to the sales organization headquarters located in Illinois. The organization then paid about 50% of this money to the station.

Since this sales operation had been completed just prior to Green's taking over, disgruntled merchants are only now beginning to realize what difficulties are involved in using such a plan. Complaints have come to Green about: the difficulties of sending information to Illinois in order to get continuity written, the fact that the continuity was slow in arriving and poorly written when it did arrive, and the fact that the salesmen had made some misrepresentations about the program which they had been selling. These had, of course, been verbal. One merchant had been told that he could take the program on a trial basis. When he wrote to Chicago to cancel the program, he was curtly informed in writing that his contract was non-cancellable.

These were some of the happenings which had served to lower the station reputation in the eyes of local merchants.

As Green and Jamison talk, they are aware of the financial difficulty which the absentee owner is currently experiencing. They also know that the collection of past due accounts has not been diligently pursued.

As they review the delinquent account list, one of the largest accounts on the list is that of a local tavern, the Eagle's Nest. Green knows that the owner of the Eagle's Nest had been a personal friend of one of the former managers, but knows little else about the man.

The amount due is in excess of $400. While this amount would not be considered large by the standards of many radio stations, at WZZZ it could well be the difference between meeting or failing to meet a payroll. The amount partly represents a Sunday afternoon remote broadcast which had been presented directly from the tavern using the musical talents of the performers at the Eagle's Nest, and partly represents the use of regular commercial announcements by the advertiser.

Jamison suggests to Green that a phone call might be in order to see if the owner of the Eagle's Nest has any intentions of paying the bill. The phone call is taken by the Eagle's Nest owner himself, Jim Corpin. He is pleasant and friendly. He assures Jamison that he will pay something to him by the next Monday, and that, even though business has been a little slow, he will certainly get the account settled, and will probably use some additional advertising before long on WZZZ.

Jamison and Green are pleased by this reaction and go on to other matters after making a note to check back Monday to see if any money has been forthcoming.

On the following Monday no money arrives. Giving Corpin the benefit of the doubt, Green and Jamison wait until Tuesday. When no money arrives on Tuesday, Green and Jamison decide to call on Corpin in person. They get into Green's car and drive to the Eagle's Nest.

Since it is afternoon, there is not much activity at the tavern. Corpin and a waitress are the only occupants of the place. Green and Jamison introduce themselves as being from WZZZ. Corpin welcomes them and offers them drinks.

Jamison approaches the matter of money, and Corpin is highly apologetic about not having the money in the mail as he had promised. He asks about the amount which he owes, then offers to pay $140 of the amount in cash. Green and Jamison happily accept this offer when, through further questioning, it is learned that this is all Corpin is capable of paying at this particular time.

Along with this amount, they are promised by Corpin that he will send them an additional amount in a few weeks, and will eventually clean up the bill completely if they will bear with him during the bad season of the year. He also reiterates his desire to advertise on WZZZ at a later date.

As time passes, Green concludes his association with the station, and Jamison goes into the many tasks required to get the station moving toward a profitable position.

When Jamison hears nothing from Corpin for about three weeks, he calls Corpin and talks with him. Corpin says that he has not forgotten the bill, but that business has been bad, and he has simply not been able to send anything, but will try to get something to Jamison in a week.

When Jamison hears nothing from Corpin after a week's time, he decides to pay a personal visit to the Eagle's Nest. Corpin is again cordial, but again says that he has nothing to pay at that time because business is so bad.

During this time, Jamison has been successful in the collection of some delinquent accounts, but pressure has been mounting from the absentee owner, Stark, to collect all delinquent accounts. Stark is in daily communication with Jamison by letter or phone urging him to collect, particularly from the Eagle's Nest because this is the largest amount in any single account yet outstanding.

Jamison again goes to see Corpin. He is informed that Corpin is out of town, and it is not certain when he will return because he is taking care of his contracting business in another city.

Jamison then sends Corpin a letter, but gets no response. When he tries to phone or see Corpin in the next few weeks, he is always told that Corpin has not yet returned.

The absentee owner has continued to point out to Jamison that all delinquent money is needed in order to be able to continue to meet the payroll.

Jamison sees three possible solutions to his collection problem:

1. To continue to call Corpin in an effort to achieve collection.
2. To sue Corpin on behalf of the station.
3. To consider the account a bad debt and not waste further time in attempting to collect it.

If he chooses the first alternative, he may have some difficulty in justifying his position and the resultant time delay in the collection to the absentee owner. There is also a chance that he will ultimately have to take legal action anyway.

He realizes that if he chooses to sue Corpin, the other business people of this close-knit community may not think kindly of the station. He remembers that he had been cautioned by some of the local businessmen to go slowly in collecting during the off season because it was not unusual for merchants to take their time in paying their bills. He is also aware that he will lose 50% of the collected money as a legal fee.

If he chooses to consider the account a bad debt, he will have a difficult time explaining his action to the owner of the station. He might also develop a reputation among the business people as being "soft" in collecting.

As Jamison considers the alternatives he does not particularly like any one of them. Still, he must make some decision and so inform the absentee owner in his next weekly report.

WQQQ AND THE RELIGIOUS ISSUE

George Johnson has recently been employed as manager of WQQQ, a small market daytime radio station. WQQQ is located in a summer resort area near Lake Yonkers. In this area are many older citizens who have moved to the area to enjoy retirement away from the rush of the big city.

Johnson has come to WQQQ after having completed some graduate studies at Riverside College. Although Johnson has a background of educational and commercial radio experience at the staff level, this position at WQQQ is his first experience at the management level. He is very enthusiastic about his new position, and is very concerned with the services which the station is performing for its market.

After George Johnson has been at WQQQ for a short time, one of the older citizens of the area asks him why WQQQ doesn't carry more religious programming. This question causes Johnson to think about the religious programming on WQQQ and the religion in general in the area.

There are many Protestant churches in the area, as well as several Catholic churches. The ministers from the Protestant churches have banded together and formed an organization called the Tri-County Ministerial Association.

While WQQQ carries religion quite heavily on Sunday morning, Johnson does not feel that this is adequate to meet the needs of the area. In addition to this, since most of the Sunday morning time on the station is filled with nationally syndicated religious programs, Johnson does not feel that the programming accurately reflects the religion in the WQQQ listening area.

In talking with some of the Protestant ministers, Johnson learns that they would be interested in a program over WQQQ in which they could present a daily meditation. This would be a non-denominational program which would stress no particular religious belief, but would provide a daily spiritual uplift for the general listener.

The ministers further suggest that they would prefer such a program to be presented at 12:30 p.m. each week day. Johnson tells the ministers he is not in agreement with the time. The ministers, however, indicate that this would be the best time for them but they suggest that any time which is made available to them will be appreciated.

The ministers further point out that they will do all the scheduling of personnel assignments and that they will give the program publicity from the pulpit and through the various church bulletins. This would relieve Johnson of these details and would provide an excellent form of publicity for the station.

Since Johnson is busily engaged in trying to improve the station in many ways, this local programming with a minimum of work on his part has definite appeal to him. The station has had a questionable reputation in the community in the past due to a history of unstable personnel and high pressure selling methods. Johnson recognizes that favorable publicity through the church bulletins and the church pulpits would do a great deal to help establish the new image of service to the area which he is trying to create.

Johnson accepts an invitation to talk at one of the meetings of the Tri-County Ministerial Association. The purpose of the talk is to discuss the possibilities of a religious program, and, if the group seems favorable to the proposed program, to make definite plans for it.

At the meeting, all goes as anticipated. The group agrees to present the program. Johnson, while still not enthusiastic about the 12:30 time period, finds that this is the most practical time for the ministers, and therefore agrees to it. The program is scheduled to run for ten minutes each day.

Johnson would prefer to be able to tape record the ministers in order to be able to schedule them earlier in the morning, but WQQQ does not have the necessary tape facilities and sufficient funds are not available to purchase additional tape equipment.

After the meeting, Johnson talks with the president of the Tri-County Ministerial Association and asks him to schedule the Catholic priests of the coverage area on the program in order that all the local religious beliefs will be represented. This the minister agrees to do.

In the days that follow the meeting, everything seems to be working according to schedule. The ministers give advance publicity to the program both from the pulpit and in the church bulletins.

The week before the program is to start, the president of the Tri-County Ministerial Association calls Johnson and informs him that the Catholic priests have received a ruling from the Bishop which states that they cannot appear on a program series with the same format used by the Protestant ministers. The president suggests that Johnson call one of the local priests and discuss the matter directly with him.

Since the president of the Tri-County Ministerial Association is a Lutheran who seems to bear some animosity toward the Catholic religion, Johnson feels that a direct contact is in order. Johnson, a Protestant, calls on the local priest and discusses the situation with him.

Believing that the situation might not have been clearly presented, Johnson carefully explains to the priest how the time period at 12:30 has been set aside for religion, how he wishes to make it possible for the Catholic listeners to WQQQ to be better served, and how he is trying to make the station a better servant of the public.

The priest says that he has understood the situation and has conveyed it to the Bishop basically as Johnson has explained it.

The priest says that under the Bishop's ruling, it would be impossible for the Catholic priests to appear on the same program series and with the same format which the ministers use. The priest states, however, that the Catholics would like to have equal time if this is possible. He points out to Johnson that, while there are fewer Catholic churches in the area, they are larger churches, and that a significant number of people in the area actually do attend the Catholic church.

Johnson thanks the priest for the discussion and says that he will consider the problem further.

Johnson realizes that he has worked his way into a touchy situation. He cannot gracefully cancel the new program series, but he does not feel that the programming of WQQQ should include another daily religious program. At the same time, he feels that the Catholics are entitled to some form of compensatory time because they are not permitted to appear on the program originally planned.

After considerable thought, he arrives at what he feels are the possible alternatives.

First, he could explain to the priest that when the program was originally planned, the Catholic religion was expected to be represented on the program. Since the Bishop had now made this impossible, there was nothing further which could be done unless the Bishop could be prevailed upon to change his decision. This would solve the problem for the moment by sending it back to the Bishop for a reexamination. Chances were good, however, that the Bishop would not change his decision, and that the problem would come back to Johnson with the Bishop's subsequent ruling.

Second, Johnson could offer a time to the Catholic churches on Sunday morning. This would not be an entirely "equal" time, but it would permit WQQQ to balance out the amount of time devoted to Catholics and Protestants.

Third, Johnson could give the Catholic churches another time slot during the week, and permit them ten minutes each day. This would solve the problem, but Johnson believes it would create a larger problem in terms of listeners because of the people who would dislike the increased amount of religious programming.

Fourth, Johnson could provide time during the week, but on a twice or three times a week basis. This might serve as a compromise position combining positions two and three. In the strictest sense, however, this was still not "equal" time.

Johnson was aware that no matter which course he took there would be members of the community who would be unhappy.

TO CONTEST OR NOT TO CONTEST

Mark Woodward, general manager of radio station WZZZ, has a problem. Woodward must decide whether or not to run a contest on WZZZ at this time.

WZZZ is located in a three-county market of 300,000 people. This fact makes it one of the top 100 markets in the nation. The three counties possess a diversified economic base which permits the citizens of the area to enjoy an above-average income.

WZZZ is the second oldest station in the market. It is licensed with a power of 5000-watts daytime, and 1000-watts nighttime.

WAAA is the closest competitor to WZZZ. It is also a fulltime operation, but with 1000 watts of power in the daytime, and 250 watts of power at night. WAAA is financially successful, partly because of a sister television station which is located in the same building with it, and which contributes considerable revenue to WAAA, Incorporated, the parent organization for WAAA-AM, WAAA-FM, and WAAA-TV. WAAA-FM, while programmed separately from WAAA-AM, does not have enough listeners to be a factor in the market.

WAAA programs a middle-of-the-road format aimed at reaching a strictly adult audience. Because WZZZ has had a more contemporary sound in its programming, it has attracted both adults and young people and has enjoyed a consistently wide margin of leadership in surveys of listeners taken by the Pulse and Hooper research organizations in the market.

The other two AM stations in the market are WTTT, a daytime station of 500 watts power which maintains no more than a ten percent share of listeners, and is, therefore, not serious competition to WZZZ; and WQQQ, a relatively new station which has not yet developed enough listeners to be considered a competitor.

The market also contains four FM stations including WAAA-FM. At this point Woodward does not consider FM to be a competitive factor in the market because of the small number of sets in the area.

As general manager of WZZZ, Woodward feels that the primary missions of his station are to entertain and to inform his listeners. He does not feel that mammoth contests with large prizes are necessary to build or maintain an audience.

It is obvious that the management of WAAA does not share these beliefs. WAAA has attempted in the past to "hypo" their ratings on listener surveys by the use of elaborate contests and sizeable prizes. As an example, during one rating period, WAAA ran the "WAAA Treasure Chest Contest." The listener had to listen to WAAA in order to obtain clues as to where the WAAA Treasure Chest was hidden.

The person who was first to find the WAAA Treasure Chest received a brand new automobile as a prize.

The fact that WAAA contests and ratings surveys coincided in timing each year was not, Mark Woodward felt, coincidence at all. He had, in the past, registered complaints with both the Federal Communications Commission and the rating organizations about the practices of WAAA in using contests to attempt to "hypo" ratings.

He had received no satisfactory answer to these complaints. The Federal Communications Commission had chosen to ignore the situation, while the rating organizations had suggested that WZZZ was free to use similar measures in order to minimize any "hypo" effect which the WAAA contests might be producing.

WZZZ had used some contests in the past, but prizes were smaller items such as record albums. Still WZZZ managed to maintain a comfortable lead in both the Pulse and Hooper ratings. In addition to these ratings, WZZZ has also taken some private ratings of its own on an unscheduled basis. These were done by a local secretarial firm. Although these ratings are generally used only by WZZZ management, they are taken by this outside firm in order to avoid possible bias. These ratings have been a source of considerable satisfaction to Woodward because they have consistently verified the WZZZ dominance of the market.

Recently, these ratings have shown WAAA making a considerable gain in listenership. The reason for this gain is obvious. WAAA has completely changed format. The WAAA programming is now contemporary. In fact, WAAA has been programming some contemporary music which WZZZ had not felt suitable for listening. In addition to this, WAAA has started a contest which offers thousands of dollars in prizes to listeners who have the same social security numbers as those announced ten times a day on WAAA.

Woodward is not surprised that the contest starts in the early part of January. January has been the traditional month for the Hooper research organization to take a listenership survey. Woodward learns that he is the only station which intends to participate in the survey, so he cancels plans to run it. With no client in the market, the Hooper organization naturally cancels the plans to take the survey.

WAAA, however, continues to heavily promote the contest which they are running, and continues to gain some listeners according to Woodward's private survey. Whether this increase in listenership is due to the contest or to the format change is not entirely clear. Still, the possibility of the contest contributing to the increased listenership of WAAA causes Woodward to consider running a contest at WZZZ. The contest which Woodward has in mind is similar to the one which WAAA is already running. It offers large cash awards to listeners who have a dollar bill with the same numbers as those announced ten times a day on the station. It is syndicated by the same firm which syndicates the contest which WAAA is presently using.

In analyzing the situation, Woodward feels that there are many points which bear consideration:

1. If WZZZ runs a contest, WAAA might retaliate by running additional contests along with their present contest.
2. WZZZ cannot hope to "outspend" WAAA. If WAAA wishes to do so, it could operate at a loss and live on the corporate earnings of WAAA, Incorporated. Woodward, however, does not feel that the WAAA management will do this. Still, he knows that the radical change in format was a move which he did not expect.
3. Any contest which WZZZ chooses to use must be of such a nature as to compete with the WAAA contest. Woodward feels that the contest which he is considering fills this requirement.
4. There is still some doubt in Woodward's mind as to the value of contests in general as a means of gaining listenership, and what effect the WAAA contest has had on their listenership increase.
5. Contests cost money. The particular contest which Woodward is considering runs for a minimum of 13 weeks at a cost to the station of $155 per

week. This cost does, however, pay for all prizes regardless of how large the prizes are which are won.

6. If used properly, a contest could prove to be a saleable commodity. It would give the sales department a definite tool with which to approach some of the larger clients which are not now using WZZZ as an advertising medium. The resultant sale could pay for the contest and also bring some additional revenue into the station.
7. On the other hand, if the contest were not sold, it could add $155 per week to the programming costs of WZZZ.
8. A good contest might serve to raise the spirits of WZZZ air personalities. While not unhappy, these personalities are aware that WAAA has made some listenership gains.

Woodward feels that he should make some attempt to counteract the gains in listenership which WAAA has made. He must now make an analysis and decide whether or not to run a contest on WZZZ at this time.

WZZZ AND THE SCHOOL BOND ISSUE

"How did I ever get myself in this kind of a position?" This was the thought that ran through the mind of Mark Whitman, general manager of WZZZ, as he contemplated the problem which had just arisen at the station.

Whitman had just hung up the telephone after having had a not overly friendly conversation with George Green, the advertising manager of the Cosmo Gas Company.

Cosmo Gas was the local natural gas supplier. While not a large and consistent sponsor on WZZZ, Cosmo Gas did contribute a few thousand dollars a year to the billing. George Green, of course, was the man who controlled the Cosmo advertising budget.

Whitman had assured Green that if Green had heard correctly, the editorial which had been broadcast that morning on WZZZ did not reflect the official WZZZ position.

The makings of Whitman's current problem had actually started several years ago when the decision was made that WZZZ should editorialize on the air. Whitman couldn't remember exactly what had prompted the original decision, but now, as he sat thinking about what had happened, he wasn't certain that the original decision had been such a wise one.

WZZZ had been broadcasting editorials five days a week for about five years. There had been occasional complaining phone calls and letters, some legitimate, some crank. Whenever it was requested, WZZZ had given equal time to a view which had clashed with an editorial which had been expressed.

Behind all WZZZ editorials was John Jacobs, the WZZZ news director. Jacobs was in his late forties, and was a man of considerable and varied experience. He had been in radio news, then went into station management, then had moved back into radio news in one of the top ten markets in the nation. When the station where Jacobs had been working had joined with a network, Jacobs had felt that he no longer was given the freedom or the area of news coverage which he wanted. At this point, Jacobs had come to work for WZZZ and he had been given the freedom to editorialize on the air.

It was not as though Jacobs was given unrestricted freedom, however. Jacobs did all the writing, but his editorials were screened by general manager Mark Whitman, or, if Whitman was not available, by Don Prince, the WZZZ program director. This served to insure that all editorials accurately reflected the station position. Whitman and Prince were also the only two people at the station who could request that an editorial be written on a particular subject, although Jacobs could and did get editorial ideas from almost any source. Jacobs was also required to read the editorial on the air verbatim from the prepared and checked script.

These rules had been agreed upon when Jacobs came to the station, and Whitman felt they had been working fairly well.

Whitman also thought that WZZZ had the best editorials in this market, a market of one commercial television station, three commercial AM stations in addition to WZZZ, and four commercial FM stations.

Whitman's chief editorial competition came from the television station. The editorials which were run there were also broadcast on the radio station with which the television station was affiliated. This radio station was Whitman's chief competition, not only in editorials, but also in ratings. None of the other stations broadcast editorials on any regularly scheduled basis, so Whitman had little competition from them.

It was Whitman's personal feeling that editorials should serve to stimulate the thinking of the listener. He felt that his editorial writer should be sheltered from people who might try to bring pressure to bear to change or influence or retract an editorial. Whitman also felt that he should give Jacobs full and unfailing support after an editorial had been cleared. These feelings came partly from the realization that good editorial policy must be implemented by firm backing from management, and partly from the realization that Jacobs was a sensitive and talented individual who could do his best work only if he had a firm foundation from which to work.

With these thoughts and feelings running through his mind, Whitman thought back to this morning's editorial. Although he had not cleared the editorial personally, he had heard a good portion of it on his radio before coming to the office, and had found nothing objectionable in what had been said. Still, the call from George Green had alerted him to the possibility that there might be something serious in the part of the editorial which he had not heard.

Whitman looked at his watch and realized that there was nothing that could be done about the 8:00 and 9:00 A.M. editorials which had already been broadcast. This meant that if changes were to be made, they would have to be made on the editorials which were to be run at 12:30, just a few hours away, and at 6:00 in the evening.

Whitman asked his secretary, Jean Johnson, to get him a copy of the editorial.

When Miss Johnson brought the editorial, Whitman read it through carefully to determine whether George Green had actually heard the correct wording.

Everything seemed to be in order as Whitman read the editorial until he came to the very last line. In that line ...in one small word in that line...Whitman saw the source of his problem. The editorial, which concerned a school bond issue in the local community, was relatively objective and thought provoking until the last line when the editorial writer urged the listener to vote against the school bond issue. Whitman knew that this was not the WZZZ position on the issue. He wondered if Don Prince felt this was the position the station should take, or if Prince had even checked the editorial.

Whitman also knew now why George Green had been so unhappy. Green's wife had been vigorously campaigning for passage of the bond issue.

Whitman called Prince into his office. Prince said that he had quickly checked the editorial, but had found nothing objectionable in it. When Whitman pointed out the last line to Prince, Prince admitted that he had not checked closely enough, and that the editorial did not reflect the station position in the matter. This ready admission created further question in Whitman's mind as to whether Prince really had read the editorial, or had simply cleared it without looking at it.

Although Whitman could tell by Prince's reaction that he would check each editorial more carefully in the future, Whitman still had an editorial on his hands which did not reflect the position of the station on a local issue, which had already been broadcast twice, and which was scheduled to be broadcast twice more that day. After some fast consideration of the problem, Whitman thought he could see five possible alternative actions:

1. Since Jacobs was still in the WZZZ building at this time, Whitman could direct Jacobs to re-write the editorial and make appropriate changes, thus mollifying George Green and any others whom the editorial might have incensed.
2. Whitman also had the possibility of substituting an editorial which did not concern the bond issue. This would cause additional work for Jacobs, but would continue to provide some editorial comment on the stations.
3. Whitman might delete the editorial from the station. This would alleviate the problem of additional work for Jacobs, but might cause comment, and might offend Jacobs.
4. He might run an apology for the whole situation which had developed, but this position could be misunderstood, and could undermine the effectiveness of Jacobs as a station editorial spokesman in the future.
5. Or, he might simply let the editorial continue to run, stand firmly behind Jacobs, and hope that no one else would take exception to it. This, however, would leave strained relations between WZZZ and George Green.

Whitman must also consider the effect which each course of action would have on the personal relationship between himself and Jacobs and Prince, and the future working relationship between Jacobs and Prince.

Whitman must also reexamine his procedure for checking editorials to insure that such a mistake would not occur again.

Above all, unless Whitman chose to let the editorial continue, he realized that time was running out. If he were going to change the editorial in any way, the change would have to be made immediately.

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NETWORK AND THE SINGLE STATION MARKET

WBBB Radio serves the small market town of Jamesbury, population 5,500, the county seat of Jamesbury County, population 38,000. WBBB also reaches two other counties with its directional daytime-only signal of 1000 watts. These are Titus County, population 40,000, and Cornell County, population 210,000.

Titus County, located north of Jamesbury County, accounts for less than half the WBBB billing because it receives a somewhat diminished WBBB signal, and because it is primarily a farming area with small towns of relatively non-advertising businessmen who exist to serve the local farmer.

Cornell County, located south of Jamesbury County, accounts for only a fraction of the WBBB billing because it not only receives a somewhat diminished WBBB signal, but also contains a metropolitan city which is the location of three AM and four FM radio stations, and one television station.

Thus, while WBBB is in a single station market, the signals from the Cornell County stations compete directly with it for listeners. The metropolitan city in Cornell County gets a considerable portion of the retail spendable income from the Jamesbury area because it is located only 15 miles from Jamesbury, and because the shopping centers there offer greater selection and lower prices than do the Jamesbury merchants.

Evidence of the retail buying in Cornell County is to be found in the statistical analysis of Jamesbury's $54 million annual income versus a $31 million annual retail sales figure.

Locally, a weekly newspaper and a shopping guide are the chief competitors to WBBB for the advertising dollars of the Jamesbury merchants.

WBBB has been on the air now for about four years. The first two years of operation were not financially profitable for John Gordon, the absentee owner. During the third year of operation, Gordon had personally taken over the reins of management at WBBB.

Although Gordon had no background in radio, he did have retail sales and management experience as a merchant in Jamesbury prior to taking his management position at WBBB. This previous business experience was useful to him in handling personnel, in evaluating efficient business procedures at the station, and in substantially increasing the station sales volume.

During the course of his first year at WBBB as general manager, Gordon had an opportunity to affiliate with a national network, the All-States Network. He considered the advantages and disadvantages of affiliation with ASN.

The ASN contract called for WBBB to pay a service charge to have the network brought by telephone line from the nearest ASN affiliate to WBBB. The service charge was about $250 per month. In return for the services of the network, WBBB either had to carry the five minute newscasts on the half hour of each hour, or record the commercial from the newscast and replay the commercial at an appropriate time.

The additional program services of the network, in addition to the news on the half hour, would consist of a regular five minute newscast on the hour which the station could use as a commercial carrier, and several daily commentary features which the station could log as individual five minute programs and either sell locally or carry on a sustaining basis.

The ASN also would provide WBBB with some religious programming each Sunday. All-States would compensate the station for the time used in this religious programming, but at a rate substantially lower than the regular local rate card of the station. The compensation from the network religious programs would rarely exceed $50 a month. If Gordon were able to sell the time locally, the figure would be more than triple this amount.

All-States also made available to its affiliates a period of "unannounced" music each day which could be used by the station in any manner which the station desired.

In addition, All-States would provide prestige to WBBB which would give the station added size in the mind of the listener chiefly because of the world-wide news which the network made available.

Gordon also felt that the All-States Network provided a means of creating additional revenue through the use of local tag announcements on national announcements, or through the use of local campaigns tied in with national campaigns on the All-States Network.

After much deliberation, Gordon signed the All-States contract which was a one-year agreement with an automatic renewal clause which extended the contract for another year unless either party cancelled in writing to the other party at least 90 days prior to the date of renewal.

Gordon had checked into the cost of network telephone lines and found that he could lease the lines directly to WBBB at a cost of only $210 per month. He signed the ASN contract, but leased the lines himself with the permission of the network. This saved him the additional cost of the network service charges.

In the course of the two years which WBBB had been a network affiliate, Gordon had both favorable and unfavorable reactions to the network service.

People in the small town of Jamesbury seemed generally to appreciate the fact that the station had a network. Some of the merchants commented on the fact that WBBB had national advertisers. Gordon did not bother to explain the fact that these national advertisers were not a source of income to the station, but were his cost for carrying the network.

Occasionally, Gordon was able to sell some additional announcements to a local merchant who was tied in with a national campaign, but this did not happen as often as Gordon would have liked. Gordon also found that he could sell local tags on the national announcements only infrequently.

The only problem of any major consequence which arose during the course of the two years of affiliation was a question of a time availability on Sunday morning. Gordon had previously sold the time to a local Catholic church, but the network indicated that the time should be available for network use. After an exchange of correspondence between Gordon and a network vice-president, the Catholic church was permitted to continue to enjoy the benefit of the Sunday morning time as scheduled.

During the course of the two years, sales at WBBB continued to increase, although Gordon did not know exactly how much of the increase could be attributed to network affiliation.

Now the time was approaching when Gordon must evaluate the network and determine whether to continue his affiliation.

In his evaluation of the network, Gordon finds several arguments on the positive side. He feels the network has been a valuable prestige item. From his own conversations and from the comments of WBBB staff members, he believes the image of the station has been improved in the community. He also realizes that his feelings may be more emotional than scientific, and that the whole area of the station image is a difficult one for him to assess.

WBBB's local billing has improved since the network has been carried on the station, although Gordon attributes very little of the increased billing directly to the use of the network programs.

Gordon feels the news operation of the network is an asset, but at the same time he readily acknowledges that there are times when the All-States news is no better than the station could take directly from the wire service to which WBBB already subscribes.

In addition to these considerations, Gordon also finds some negative aspects to the network affiliation. The network costs the station at least $160 a month, and sometimes more. This is a substantial sum for a station with a staff of only six people. The network also necessitates some additional work for the office girl at WBBB in the preparation of forms and other network correspondence. The network also uses some of the time which WBBB might more profitably use in months such as December when the station commercial load is heavy, but the number of daytime hours is small.

So Gordon sees that there are two sides to the picture. He must now weigh the advantages against the disadvantages and arrive at a decision to either continue the network contract with All-States or to cancel it.

THE REP SITUATION

"Do I send the contract directly to you, or should I send it through your rep?"

George Wilson thought for a moment. "Since this is a test campaign, better send it directly to us," he said. "Then, when we get deeper into the campaign, we'll probably have to run it through the rep...and thanks again for the order."

Wilson hung up the phone and thought about the situation.

Eight months ago, WIZZ, a 500-watt daytimer in a three station market, was purchased by a group with which Wilson was affiliated. Wilson was brought in as general manager.

Since the other stations in the group had the firm of Radio Sales, Incorporated as their national sales representative, it was logical that WIZZ should be represented by the same firm.

Radio Sales, Incorporated is a station sales representative which handles a list of about 60 stations throughout the United States. It is a relatively old firm, and well established. The other six stations in the chain with which Wilson is associated have been well satisfied with the efforts which Radio Sales, Incorporated has made in their behalf.

WIZZ, by contrast, is not an old and well established station. It is fighting to establish a reputation in a market which has been dominated by the other two stations for many years.

The station is also fighting to live down the reputation which the past owners had created. As a partial means of achieving a fresh start, the station had changed its call letters from WXXX to WIZZ.

Because of the newness of the WIZZ call letters and the dominance of the market by the two older stations, and in spite of having Radio Sales, Incorporated as a sales representative, WIZZ has received almost no regional or national business for the first six months of its existence.

During this six month period, however, WIZZ has been active locally in creating a base for regional and national business by contacting local distributors and presenting the WIZZ sales story.

About the seventh month, WIZZ has established enough of a reputation in the market and has performed enough missionary work so that some regional and national business has begun to come in.

Megacity, one of the nation's top ten markets, is located about an hour's drive from WIZZ. Megacity is the home of some nationally recognized advertising agencies as well as the location for branch offices of other nationally recognized advertising agencies.

Although it was not normal procedure for a station to make calls in a city covered by the station representative, WIZZ, in the course of following through on local contacts, has made several sales calls in Megacity.

In the course of these calls, Wilson has learned from agency people that Bill Thornton, the salesman from Radio Sales, Incorporated is known to them, but is not always remembered when an order is placed. This is because Radio Sales, Incorporated has no sales office in the city, and Thornton calls on the agencies only once a month.

Wilson has also learned that a significant number of campaigns are placed in the WIZZ market from agencies located in Megacity.

Wilson knows that in order for WIZZ to get business, it will frequently have to initiate the contact for business locally through the local distributor, then almost immediately follow through with a contact regionally in order to be able to point out to an agency the advantages of buying time on WIZZ.

Wilson also knows that when Bill Thornton makes a call on a Megacity agency, Thornton is selling sixty stations, not just WIZZ alone.

The contract between WIZZ and Radio Sales, Incorporated calls for WIZZ to pay a 15% commission on all regional and national business which is produced by Radio Sales, Incorporated. Although not stated explicitly, it is implicitly understood that this commission is paid on all regional or national business whether or not the representative actually makes the sale.

This understanding was considered fair by Wilson because the representative absorbed all the costs of national and regional sales efforts. Wilson felt that the rep should be entitled to business which might be placed directly with the station after the representative had done most of the ground work.

Since the other stations in Wilson's chain do not receive any substantial regional business from Megacity, they have consistently paid commissions to Radio Sales, Incorporated for all regional and national business.

However, the recent phone call, and other similar calls which had come in recently, served to point up to Wilson that his situation was different from the rest of the stations in the chain.

It was becoming obvious that WIZZ could do a better job of representing itself in Megacity than the Radio Sales, Incorporated representative, Bill Thornton. However, it also was becoming obvious that, as WIZZ gained in ratings, national sales would continue to grow if an aggressive representation were made for the station on the national scene. This was something which WIZZ could not do for itself.

So the question with which Wilson was faced was not a question of whether or not to have a national representative, but rather what degree of regional representation should WIZZ have, and how could this best be achieved?

As Wilson pondered the question, he came up with four possible courses of action.

First, he could leave the representative commissions as they were; i.e., pay commissions on all regional and national business, but do most of the selling in Megacity by himself.

Second, he could sell in Megacity himself in competition with Radio Sales, Incorporated. Commissions would then be paid only on what was actually sold.

Third, because Wilson knew the entire chain of stations with which he was associated, he could tell Radio Sales, Incorporated not to represent any of the chain stations in Megacity. Wilson could then, in effect, be a private representative in Megacity for the entire chain. Wilson knew there would be little difficulty in this because it was almost as easy to sell seven stations as to sell one.

Fourth, because of the regional representatives who were available, Wilson could ask Radio Sales, Incorporated to drop WIZZ from their roster in Megacity, and then seek a regional representative who would be on top of the picture at all times. This would continue to make the regional business commissionable, but it would provide constant representation for WIZZ in Megacity.

Wilson does not wish to be unfair to Radio Sales, Incorporated, but he feels that an improvement might be made in the present representation which appears to be inadequate in covering the WIZZ needs.

Although Radio Sales, Incorporated might not react favorably to any of the possible courses of action Wilson is considering, he believes they would not discontinue national representation of WIZZ because of the WIZZ market and the possible repercussions which Wilson is in a position to cause through the other stations in the chain.

So Wilson's solution must include fair treatment to Radio Sales, Incorporated. At the same time, it should be an attempt to find the best method to bring maximum regional sales to WIZZ.

KFIZ SELLS THE CAR DEALER

GEORGE BENDER CHEVROLET!! The sign was one of the items which proclaimed to the world the existence of the newest Chevrolet dealer in Copper City. George Bender had recently purchased one of the two Chevrolet dealerships in Copper City, a town of about 150,000 people.

Jim Hodges, a salesman from KFIZ, a 500-watt daytimer in this three station market, had first noticed the newspaper advertising which Bender had used when he began his operation. Hodges had checked the kinds of advertising which Bender Chevrolet was using, and had asked some of his other clients what they knew about George Bender.

With this as a rough background, Hodges made a "cold" call on the George Bender Chevrolet dealership. He was escorted into Bender's office where he found George Bender and Tom Jason, the George Bender Chevrolet sales manager.

Hodges introduced himself and made a basic sales presentation for KFIZ.

He talked about the fact that there were three AM radio stations in Copper City, that his station had just recently been purchased by new and aggressive owners, that KFIZ was an "adult" station reaching the people who could buy new Chevrolets, and that, while the other stations in Copper City were good "buys," KFIZ was the only station reaching the audience which Bender Chevrolet needed to reach at a cost based on the lowest rate card in the market.

Bender seemed interested. He asked Hodges some questions about radio in general. He also raised a couple of objections. One objection concerned the fact that Bender felt that radio rates were high. The other objection concerned the fact that KFIZ was a daytime station while the other stations in the market were full-time stations.

Hodges answered the first objection with some case histories of results which KFIZ had produced for other advertisers. Bender acknowledged that rates were never high if sufficient results were obtained. Hodges answered the second objection by suggesting that a daytime station actually had the best hours for reaching those adults who might prefer to watch television in the evening hours.

Bender's sales manager, Tom Jason, listened closely during the presentation, but said little.

Although not happy with the fact that he had failed to secure the order, Hodges was happy with what he felt was a good sales presentation. He told KFIZ general manager Ray Preston that he had created a foundation and would call on Bender again in about a week.

During the course of the week, Hodges kept track of the advertising which Bender was using. He did not see

George Bender Chevrolet on television, but he did see two full page advertisements in the Copper City Sentinel, a strong competitive advertising medium and the only daily newspaper in Copper City.

The next week Hodges again called on Bender. Jason was again in Bender's office. As Hodges reported it to Preston, the presentation was good, but Bender, while cordial, was very non-committal to both KFIZ in particular and to radio in general. Hodges felt that he was not making any progress with the account, so he asked Preston for suggestions.

Preston suggested that it might be a good idea to get Bender and Jason away from the dealership in order to better focus attention on KFIZ. He suggested that Hodges arrange a luncheon appointment where Bender, Jason, Hodges and Preston could all be together.

Bender was receptive to the idea when Hodges approached him and the appointment for lunch was set for the following week.

At the luncheon, Preston found Bender and Jason to be about as Hodges had described them. Both were very sociable and quite willing to talk about a variety of subjects. During the course of the luncheon, several interesting aspects of George Bender's background and personality emerged.

Bender's background was primarily in automotive engineering. He was well educated, liked adult music, and enjoyed off-beat humor. Having been born and raised in a family of some wealth, Bender liked "big homes and country club thinking." He disliked rock and roll music and was not overly impressed by ratings.

Preston formed the impression that Bender was not yet entirely sure of himself as head of a Chevrolet dealership because of his inexperience, but that he was intelligent enough to overcome this lack of experience and be a successful dealer.

Tom Jason, while quiet, impressed Preston as a capable sales manager. Jason's background was as a sales manager in one of the top ten markets in the nation. Noting the way which Jason deferred to Bender, Preston recognized that, although Bender insisted that Jason could buy advertising as well as he himself could, it was clear to Preston that the sale, if made at all, would have to be made to Bender and not to Jason.

The reason Preston wondered if the sale would be made at all was because, although the atmosphere had been cordial, Bender had said that he was not sure he needed radio advertising at all and that he was not sure of the value of KFIZ as an established advertising medium. Preston recognized that, while there had been relatively good sociability, there had also been relatively little enthusiasm for either radio or KFIZ and no significant encouragement had been given for any future sales presentations.

Preston knew that Bender was spending more than $1,000 a week in advertising. The big question was how to get him to spend a portion of that money on KFIZ.

In reviewing what had gone on in the past, Preston felt he knew several significant facts.

1. Bender is the man on whom to concentrate all sales efforts.
2. Bender is not impressed by ratings.
3. Bender likes to see his name used in advertising.
4. Bender has an off-beat sense of humor.
5. Bender likes adult music.
6. Bender has an excellent credit rating.
7. Bender is buying advertising at present in the newspaper.
8. Bender is interested in rates and might be interested in a particularly good bargain rate if it were proposed.
9. KFIZ does not now have any automobile dealership as a substantial client. According to national figures from the Radio Advertising Bureau, automobile dealers should be among the top five sources of revenue for KFIZ in this market.

Based on an analysis of these facts, Preston feels that there are several approaches which could be taken to try to make a sale to Bender:

First, Preston might offer Bender a significant rate reduction. This would be somewhat hazardous because it could compromise Preston's entire rate card if word got out that he was willing to bargain. Further, it might demoralize Hodges who might react negatively if rates were cut for little reason. On the other hand, KFIZ could use the business, and, at this point, the station might have little to lose as far as other automobile dealers were concerned because none of these were advertising on the station at present.

Second, Preston could sell the time to Bender on a "per inquiry" basis; i.e., whenever anyone mentioned to the salesmen at Bender's dealership that he had heard the advertisement on KFIZ, Bender would rebate the station an agreed upon sum of money. Bender thus could find direct evidence that KFIZ was doing a fine job, and he would be risking nothing if KFIZ failed to produce prospects with his advertising. Preston, however, knew that this was a long-shot possibility. Hazards of using such a method included the difficulty of getting people to remember where they had learned of the dealership, the difficulty of getting the salesmen to report each prospect who mentions KFIZ, and the difficulty of measuring the results of advertising on the strict basis of prospects delivered. Still, this would produce some revenue, and it might additionally provide a means for influencing other automobile dealers to use KFIZ.

Third, Preston might act as an advertising agency and create speculation commercials for Bender. To do this properly, valuable time would be needed and the effort might still not be fruitful.

Fourth, Preston might wait for four to six weeks and then have another luncheon to see if Bender had solidified his thinking on radio advertising. This would create no current business, but it would give Bender additional time to get the dealership further on its feet and to become more aware of the values of radio in Copper City.

Any way that Preston looked at the situation, he saw that Bender was a good potential advertiser whom he did not wish to antagonize. He also saw that the station could use the additional income, and that Hodges could use the additional account.

Probably most important to Preston was the fact that, based on the success which KFIZ was having in creating business for other clients, the station could be of immediate value as an advertising medium to George Bender Chevrolet. But in order to get his advertising on the station, some method which had not yet been used, would need to be tried.

WZZZ PHYSICAL PLANT

Recently, an unusual situation has come to WZZZ. The station, a fulltime operation with 5000-watts of power in the daytime, and 1000-watts of power at night, was the first station in this, one of the top 100 markets. The station is located in the downtown business district of the town in an area which has been designated as the land on which a new community college will be built.

For this reason, the station will be forced to vacate in order that the present building may be torn down and replaced with the community college.

Although located in an old building, WZZZ has rented the second floor for use as WZZZ offices and studios. Three telephone lines currently link the WZZZ studios and transmitter. The transmitter site is located about three air miles west of the downtown area on a 20 acre tract of land which WZZZ owns.

In considering where to move, Mark Woodward, WZZZ general manager, realizes the advantages of his current location. He is now situated in a business area where there is high traffic. The station is also located on the main street of the town. This, in itself, provides a number of advantages. When advertising agency people stop in the town, they can drop by Woodward's office for a chat because the office is within walking distance of some of the better hotels. Members of the office staff like the present location because it provides easy access to the shopping area and eating places.

Another advantage of the current location is that the salesmen are already located in the business district when they leave the station in the morning. Downtown restaurants also provide places for sales and management people to meet with clients and potential clients, and to stay on a "nodding acquaintance" with the merchants and dignitaries in the downtown area.

With all these advantages, Woodward knows that there is no way in which the station can remain at the same location. The actual time of the move may be a year or more away, depending on many factors, but the fact of the move is a definite one, and Woodward knows that he must make plans now in order to be prepared when the move is finally required.

While giving thought to his problem, Woodward analyzes the general advantages and disadvantages of renting a building versus owning a building.

Rental has the advantages of generally requiring no maintenance, and requires no tax or insurance payments on the land or building. It also requires no initial investment of working capital for the purchase of land and the construction of a building. Thus, working capital is kept available for other needs.

Rental has the disadvantages of a relatively fixed and continuing overhead cost. Depending partly on the amount of rent, this could be a serious disadvantage. Also, rental money brings no return beyond the use of the rented space.

Conversely, ownership has the advantage of providing freedom from a fixed and continuing overhead cost unless monthly payments are required by financing arrangements. Ownership further builds a financial asset which has value in itself and can also be depreciated as a cost of business on tax returns. This real estate asset might appreciate depending on the length of ownership and the continuation of the present inflationary trend in the general economy.

The disadvantages of ownership include the continuing requirements of maintenance, and the payment of taxes and insurance on the land and building. Ownership also requires capital to buy land and construct a building. Depending partly on the amount of capital required, this could be a serious disadvantage.

Woodward has arrived at four options which he feels might be available to him.

1. Continue to rent as he is now doing, but move to another building in the downtown area.

2. Continue to rent sales offices downtown, but build studios and offices at the transmitter site.
3. Build a building to house the entire operation at the transmitter site.
4. Build a building to house the entire operation downtown.

If he chooses to continue to rent in the downtown area, he would eliminate the need for the considerable outlay of cash involved in building, would eliminate the maintenance problems involved in owning a building, and would continue to give WZZZ all the advantages which it now enjoys in a downtown location.

If he builds studios and offices at the transmitter site and rents sales offices downtown, he would overcome the disadvantages of having the sales force located away from the downtown area, but would incur the disadvantages of additional cost for the sales office, additional driving for office and studio personnel who do not live between the present location and the transmitter, and deprivation of all the advantages of the present downtown location.

If he builds a building to house the entire operation at the transmitter site, he would save the cash outlay required to purchase property, but he would still be required to make the cash outlay necessary to build a building. He would also save several hundred dollars a month in reduced telephone line costs, economies in the use of personnel, and in additional preventive maintenance to studio equipment. He would have the disadvantages of additional travel for office and studio personnel, and all the disadvantages associated with the lack of a downtown location.

If he builds a building to house the entire operation downtown he could build a building which could house WZZZ and have space remaining for rental to other firms. This would defray some of the building expenses, and, over a long period of time, the building itself might show a profit. The initial cash outlay required to build such a building would be a disadvantage, but probably the most serious disadvantage would be the fact that there is a limited amount of suitable land in the downtown area and land prices are therefore at a premium. Still, this option would give Woodward all the advantages associated with a downtown location.

In considering the problem to this point, Woodward has arrived at the options mentioned. He is not entirely certain that he has identified all the difficulties which might be encountered with each of the options, nor is he certain that he has identified all the advantages which each option might contain.

Woodward knows that the decision which he makes could be a vital decision in the continued success of his organization. He knows that his decision must be sound enough to withstand the probing questions which his board of directors will ask. He knows that his decision must provide a sound base for the hundreds of lesser decisions which will be made in implementing this original decision.

Woodward must elect one of the four options which he has considered and rank the other options in what he considers their order of importance; or come up with additional options.

Since he will be the man who will be implementing the decision, he must also determine how strongly he feels about the decision which he elects in order to be prepared if the board of directors decides against the option which he chooses.

Mark Woodward has a great deal of deciding to do.

KZZZ SPENDING PROBLEMS

"What a wonderful predicament to be in," thought Roland Jones, the vice-president of KZZZ Corporation, and general manager of KZZZ radio. "I'm probably one of the few managers in broadcasting who has more money than he can use."

Jones has just finished talking with his accountant about the profit and loss statement for the year 1964. KZZZ Corporation has had an exceptionally good year, and has shown a net profit of over $39,000.

This means that the station will be paying income tax in excess of $8,000 for the year. The accountant has just recommended to Jones that, in view of the financial position of the station and the financial position of the three partners who own KZZZ Corporation, net profit for 1965 should probably not exceed the figure of $25,000. This will avoid raising all the partners and the station itself to a higher tax bracket.

This means that Jones must now sit down with the figures from last year and project how he can spend more money.

KZZZ is a 1000-watt fulltime station located in a county of over 150,000 people with a spendable income of over $300 million and retail sales close to $200 million. KZZZ is a well-established station which has been under its current ownership for about six years and now employs 16 people. In the KZZZ market there are three other radio stations, one other fulltime, and two daytime. In addition to the other radio stations, there is a daily newspaper and a bi-weekly newspaper. Several outside television signals are received in the area, but only one of these stations activly sells in the market itself. The city has no television station of its own.

KZZZ is a relatively stable station with above average wages, equipment, and working conditions. As an example of station stability, only one member of the staff has left in the past five years.

Morale at the station is high, and listener acceptance of the middle-of-the-road format is considered by Jones to be very good. This belief is borne out by the station's consistently high number two rating, ranking just below the leading contemporary music station in the market in listenership surveys which have been taken. It is further borne out by the continued productivity of advertising on the station.

As Jones examines his statements to determine where to spend an additional $14,200, he considers several areas as prime possibilities (see Exhibits A and B).

The _first_ area of consideration is advertising and promotion. He has used $1000 of the $2700 spent in this category to merchandise advertising campaigns on the station. This merchandising has involved such items as direct mail pieces sent to dealers to announce an advertising campaign. He has spent about $750 for newspaper advertising. He has spent $500 for advertising in the hockey programs which are sold at local hockey matches, $100 for advertising signs placed in union halls, and the balance of the $2700 for such projects as a free remote broadcast for a Kiwanis Auction and advertising at a home show. Jones has recently considered billboard advertising at a cost of $100 per month per billboard, and some advertising in trade publications. Additional advertising and promotion would serve to maintain the station image in the minds of both advertisers and listeners.

A _second_ area of consideration is an increase in donations. Last year's $250 was divided into support for the United Fund, Boy Scouts, Young Men's Christian Association, and the purchase of admission tickets to entertainment events sponsored by the various local police agencies. Any additional expenditure here would serve to increase the public service image of KZZZ.

The _third_ area of possible increased expenditure would be to provide more insurance for station personnel.

The station is already above average in this respect because it pays hospitalization and life insurance for employees on an 80% - 20% basis; i.e., the station pays 80% of the cost and the employee pays the remaining 20%. Since the hospitalization which is provided is already the maximum available, Jones could purchase additional life insurance for the employees; increase the percentage of insurance for which the station pays; or perhaps let the station absorb the entire insurance cost. This would be further proof to the employees of the concern which management has for their welfare.

A fourth area which Jones views as a possibility is the area of record services and programming aids. Although he feels the needs here are already pretty well met, he could approve the purchase of additional record services at a cost of $220, and he could approve the purchase of some new station jingles at a cost of about $2000. These would give the program director additional material with which to perform his function.

A fifth area of possible expenditure would be to grant a bonus to all staff members. This has already been done once in 1964 as a Christmas present, but there is no rule to say that Jones could not grant an additional bonus in 1965. If this were properly timed with each individual staff member's vacation, it would probably raise morale and maintain loyalty to the station.

A sixth area of possible expenditure would be to raise salaries even further above average than they are at present. Again, this would be a means of raising morale and maintaining loyalty to the station.

A seventh area of possible expenditure would be to personally entertain clients more lavishly, and to recommend that his salesmen do the same. Since there is no station policy as to the amount spent in entertaining, this area could be boosted considerably by the sales department. More lavish entertaining would serve both to secure new business and to maintain current business.

An eighth area of possible spending would be to purchase a new transmitter. Although the old transmitter is still entirely operative, the depreciation on it is almost depleted. A new transmitter would probably not change the sound of the station, but it would permit a new depreciation possibility. The cost of a new transmitter would run in the neighborhood of $6000.

One area which Jones does not consider is the improvement of the building or the purchase of office equipment. This area has been adequately taken into consideration with purchases in 1963 and 1964.

Three thoughts run through the mind of Roland Jones as he considers where to spend $14,000:

1. He should spend it where it will have the greatest benefit for the station.

2. He should spend it where it will not create a situation from which he could not gracefully retreat if the income for 1965 did not meet expectations.*

3. He can use any one of the alternatives which he has considered, or he can combine several of the alternatives to achieve the desired result, or he might re-examine the profit and loss statement to find other areas of expenditure.

Again Roland Jones thinks to himself, "What a wonderful predicament to be in." Nevertheless, he must make some kind of a decision.

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*For purpose of simplicity in considering this case, the basic assumption is made that income in 1965 will not <u>exceed</u> income in 1964.

KZZZ RADIO
STATEMENT SHOWING THE RESULT OF OPERATIONS
FOR TWELVE MONTHS ENDED DECEMBER 31, 1964

INCOME		
Local Spots	$ 85,000	
Local Programs	76,000	
Total Local Income		$161,000
National Spots	$ 54,000	
National Programs	27,000	
Total National Income		$ 81,000
Political	$ 1,350	
Programs and Miscellaneous	2,800	
Line Rental	500	
Talent	9,500	
Network	1,300	
		$ 15,450
TOTAL INCOME		$257,450
DEDUCTIONS FROM INCOME		
Talent	$ 9,700	
Agency Commissions	12,050	
Representative Commissions	6,500	
Phone Line Rental	500	
TOTAL DEDUCTIONS FROM INCOME		$ 28,750
NET INCOME FROM BROADCASTING		$228,700
OPERATING EXPENSE		
Technical	$ 20,600	
Production	50,700	
Sales	30,050	
Land and Building	1,700	
General and Administrative	73,150	
TOTAL OPERATING EXPENSE		$176,200
NET OPERATING PROFIT		$ 52,500
OTHER INCOME		
Earned Interest and Dividend		$ 1,200
GROSS PROFIT		$ 53,700
OTHER EXPENSES		
Interest	$ 7,500	
Depreciation	7,000	
TOTAL OTHER EXPENSES		$ 14,500
NET PROFIT		$ 39,200

Exhibit B

KZZZ RADIO
STATEMENT SHOWING DEPARTMENTAL EXPENSES FOR
TWELVE MONTHS ENDED DECEMBER 31, 1964

	Tech. Dept.	Production Dept.	Sales Dept.	Land & Build. Dept.	General & Admin. Dept.	Total
Advertising and Promotion	$ ...	$ ...	$ 2,700	$ ...	$ ...	$ 2,700
Donations	...	...	...	...	250	250
Dues and Subscriptions	...	...	...	...	2,000	2,000
Fuel	150	...	...	...	...	150
Insurance - General	...	...	...	...	1,250	1,250
Insurance - Group	...	...	...	...	2,200	2,200
Light and Power	1,800	...	...	...	...	1,800
Phone Lines	...	1,400	...	...	...	1,400
Miscellaneous	...	1,300	550	...	500	2,350
Music, Records & Program Mat.	...	1,200	...	...	...	1,200
News Service	...	6,000	...	...	...	6,000
Outside Engineering	100	...	...	...	...	100
Postage and Freight	...	...	...	...	550	550
Professional Service	...	...	...	...	2,000	2,000
Repairs and Maintenance	1,500	100	...	400	...	2,000
Royalties & Privilege Fees	...	7,650	...	...	...	7,650
Salary and Commissions	17,000	33,000	26,000	1,300	50,000	127,300
Supplies	50	50	100	...	1,000	1,200
Taxes - General	...	...	...	...	3,400	3,400
Taxes - Payroll	...	...	...	...	4,500	4,500
Telephone and Telegram	...	...	...	...	3,500	3,500
Travel and Entertainment	...	...	700	...	2,000	2,700
Totals	$ 20,600	$ 50,700	$ 30,050	$1,700	$ 73,150	$176,200

CHAPTER IV

SUMMARY AND CONCLUSIONS

This thesis presents eleven actual case studies of management problems in the field of radio and television. These cover a wide variety of topics ranging from personnel to profit and loss.

Included in the thesis is a brief view of the case study method of teaching: its evolvement, its advantages, its disadvanatges, and its potential use. Also included is an examination of the literature concerning the case study method and an indication of available case studies in radio and television management.

The thesis should be of value to the individual reader in providing an opportunity for synthetic experience in actual management problems.

The thesis should be even more valuable in providing material on which to base a classroom discussion, and thereby provide all the advantages of the case study method to students.

The thesis should also provide some value as a starting point from which other cases in radio and television management can be secured.

The values which have accrued to the author as a result of writing this thesis are many. The gathering of case studies provided an intensive education in the problems of companies in the industry, along with further demonstration of the principles upon which radio and television management are based. In writing up the cases, the author gave close analysis to each problem in order to determine the possible alternatives. This both strengthened and stimulated the author's analytical abilities. Also, in checking the validity of the proposed alternatives, the author acquired some specific information about various areas of broadcasting.

Based on the research carried out in the preparation of this thesis, several areas for future studies have become obvious. There is little question that additional cases in radio and television management would prove valuable for use in the realistic education of broadcasting students. Such areas as automation, engineering, community antenna television, the Federal Communications Commission, programming, financial compensation, and community relations should provide an abundance of possible case studies. Indeed, the areas covered in this thesis are still ripe for other case studies.

With the ever-increasing need for knowledgable radio and television management people, and with the obvious value of the case study method, it is difficult to conceive of an overabundance of cases in radio and television management for many years to come.

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APPENDIX

SAMPLE LETTER OF TRANSMITTAL

600 Blanchard Street
Tecumseh, Michigan
June __, 1965

Mr. ______________________
Station ___________________
City, State

Dear Mr. __________________:

Enclosed with this letter is a copy of the case which you were kind enough to provide for my thesis.

Please read the case and fill out the three release forms which are enclosed. Then, please return the case and the signed forms in the enclosed envelope. A release form and a copy of the case will be returned for your files in the near future.

This letter gives me the opportunity to express my gratitude to you for making my thesis possible. Thanks to your help, I feel it will be a real contribution to broadcasting education.

Sincerely,

Richard A. Egli

RAE:le
Enclosures

SAMPLE RELEASE FORM

Mr. Richard A. Egli
600 Blanchard Street
Tecumseh, Michigan

Dear Dick:

The case entitled ____

has been read by me and checked for verification.

I hereby authorize the use of this material

without change __________

with corrections indicated __________

It is hereby understood that this material will be used for educational purposes only.

Signature of Executive __________________________________

Firm ____

Date ____