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Financial aspects of radio broadcasting in Great Falls

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FINANCIAL ASPECTS OF RADIO BROADCASTING

IN GREAT FALLS, MONTANA

By

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116

TABLE OF CONTENTS

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LIST OF TABLES

CHAPTER I

INTRODUCTION

The Federal Communications Commission, in its latest study of radio incomes, showed that the four amplitude modulation (AM) radio stations in Great Falls, Montana, had a total deficit of $72,303 in 1973.[1] The present study explored the reasons behind this large deficit and also answered the questions of whether the Great Falls market can profitably handle the current number of radio stations.

Since 1973 the Great Falls area, with a total market of approximately 100,000 people,[2] has had seven radio stations transmitting to its listeners. Four of the stations are AM and have been operating for over fifteen years, although not necessarily under the same ownership. The other three operations are frequency modulation (FM) and have been broadcasting for a much shorter period.

In this study the financial operation of all seven radio stations in Great Falls were reviewed. Concentration was placed more on the AM stations than on the FM stations because they have been in business longer, they have much higher total expenses and income, and more figures are available. However, some space in this paper is devoted

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[1]"Radio Record in 1973: Sales Up, Profits Down," Broadcasting, January 20, 1975, p. 58.

[2]World Almanac and Book of Facts 1975, (New York: Newspaper Enterprise Association, 1974), p. 172.

to the condition of FM stations because two of them use the same personnel and facilities as their AM affiliates and thus are inextricably tied to the financial condition of the AM stations. Chapter II analyzes the financial condition of each AM and FM station separately. Chapter III then summarizes the figures and establishes some overall conclusions pertaining to the financial health of Great Falls radio. Finally, in Chapter IV, the general figures for Great Falls radio stations are compared with figures for other markets of a comparable size. Thus, the final result of this study consisted of some reasons for the $72,303 deficit of Great Falls AM radio stations and the actions that might be taken to eliminate this deficit.

Methodology

Every radio station broadcasting in the United States must file a financial report to the Federal Communications Commission (FCC) for the previous year as required by the rules and regulations of the Commission. The FCC, however, does not require that this financial report be made available for public inspection. Therefore, the cooperation of the five Great Falls radio station general managers was needed in order to obtain the financial information for this project. Each general manager received a letter describing the study and requesting his cooperation. Telephone calls were then made to each general manager to confirm receipt of the letter and to verify that they would cooperate. Some of the general managers were obviously more willing to cooperate

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[3] U.S. Code of Federal Regulations, title 47, chap. 1, par. 1.611 (1974).

than others; but if a few of them did reserve the right to refuse certain information, all seemed most willing to discuss the project.

A lengthy list of interview questions was initially compiled (see Appendix). Then, appointments were made to interview each general manager at his respective radio station. The length of each interview naturally depended on the cooperativeness of the individual. Information requested was only concerned with the years 1973 and earlier, as stations were only now in the process of compiling their financial reports for 1974 (due April 1, 1975).

Much of the statistical data used in this study comes from the latest FCC Annual Reports to Congress, which have information on broadcasting in Great Falls and other markets, including advertising revenues from local and national advertisers and total broadcast expenses. Also used, to a limited extent, was the trade magazine, Broadcasting, for some information that had not been published in the FCC Annual Reports. Broadcasting In America by Sydney W. Head was researched for general questionnaire information.

CHAPTER II

RESULTS OF INDIVIDUAL STATIONS

This chapter contains descriptions of each radio station in Great Falls, beginning with the station at the lowest end of the AM frequency band, and its individual financial facts and figures. A summary of the following financial descriptions is located in Table 9 in the Appendix.

AM Stations

KMON

First on the dial of Great Falls AM radio is KMON at 560 kilocycles. One of the most powerful stations in Montana, KMON has been in operation since 1948. The station has had three owners, (including the Great Falls Tribune) in the twenty-three years since it went on the air. Currently, KMON is owned by its general manager, Al Donohue, who purchased the station in 1963 for $270,000. If he were going to sell the radio station now, Mr. Donohue believes that he would get around $600,000 for it, although another general manager in Great Falls believes that it is a million-dollar property. Modern country music is the main programming feature of KMON with an average ten minutes per hour of news and information shows. KMON also has a sister FM station, KNUW, which will be examined later in this chapter. Because expenses and revenues of the two stations were combined in 1973 for reporting purposes, however, many figures mentioned in this section will include KNUW's figures.

KMON has operated with the same transmitter since going on the air and has control equipment with an average age of fifteen years. All of this equipment, including the value of the land at the transmitter site and equipment used by KNUW, was valued at $325,903.88 with an accumulated depreciation of $185,893.32 on October 31, 1973, according to KMON's application for license renewal (see Table 1). But Mr. Donohue believes that some of this equipment, including the transmitter, will probably have to be replaced in the next five years, entailing an additional investment of approximately $20,000. The KMON offices and studios are located in the Holiday Village with a remote connection to the transmitter site six miles south of Great Falls. The lease agreement with the shopping center requires only that the station air a thirty second commercial message for Holiday Village on the hour, twenty-four hours a day along with several other commercials each day. For giving the Holiday Village this commercial time, KMON pays no rent on its offices and studios.

With a payroll of fifteen full-time people, KMON paid approximately $200,000 in wages in 1973. This payroll included three office assistants, four advertising salesmen, one engineer, six program announcers, and the general manager. The salesmen are paid on a straight commission basis at 15 percent of their time sales, with no base salary. According to Mr. Donohue, the average span of employment at KMON is two years.

Other operating expenses at KMON include program costs. The radio station is supplied most of its single (45 RPM) records free of

TABLE 1

KMON, INC., BALANCE SHEET (INCLUDES KNUW)

October 31, 1973 (Prepared without audit)

Assets		
Cash on Hand		$ 185.50
Cash in Bank		31,010.02
Note Receivable		10,000.00
Accounts Receivable	$43,209.24	
Less Reserve for Bad Debts	(4,294.42)	
		38,914.82
Accounts Receivable Miscellaneous		174.10
Accounts Receivable IMN		6,597.91
Inventories		13,423.65
Unexpired Insurance		1,038.74
Total Current Assets		$101,344.74
Land, Buildings, Equipment, Fixtures		$325,903.88
Less Accumulated Depreciation		(185,893.32)
Total Fixed Assets		$140,010.56
Due Officer		$ 46,966.46
Goodwill		34,600.00
Total Other Assets		$ 81,566.46
Total Assets		$322,921.76

Liabilities		
Accounts Payable		$ 11,853.35
Notes Payable		30,000.00
Payroll Taxes Payable		3,114.92
Accrued Interest Payable		1,100.00
Accrued County Taxes		2,386.60
Royalties Payable		674.03
Total Current Liabilities		$ 49,128.90
Stockholders' Equity		
Capital Stock Issued	$120,000.00	
Retained Earnings	96,581.49	
Undistributed Profits	57,211.37	
		$273,792.86
Total Liabilities and Stockholders' Equity.		$322,921.76

SOURCE: KMON Radio, "KMON/KNUW Application for License Renewal," (Great Falls: October, 1973).

charge by record manufacturers and distributors, but it does subscribe to a service that provides albums for a fee. Also, KMON used several syndicated programs during the broadcast year of 1973, for a total cost of $8,400. Because the station airs music, it additionally must pay a yearly fee to the two organizations which collect royalties on music performances and distribute them to copyright holders. This payment was made to both the American Society of Composers, Authors, and Publishers (ASCAP) and Broadcast Music, Incorporated (BMI).

Another programming expense at KMON involves the news services that the station uses. KMON has contracts with two broadcast networks. The station carries broadcasts of the ABC Information Network; but because the network programs have commercials in them, KMON has contracted with the network to be paid approximately $100 a month for airing ABC programming. This compensation for all the advertisements that ABC carries each month is not much compared to the rates that the station charges to other advertisers. But KMON still carries the programming of the ABC Information Network mainly because it frees the station's limited staff to concentrate on other activities. The Intermountain Network (IMN) is also carried on 560 kilocycles in Great Falls. For this service, which mostly programs news of Montana and the intermountain West, KMON pays a fee of $450 a month. At the same time, though, IMN acts as KMON's representative in selling regional and national advertising; and this provides the station with a good portion of its income, according to the general manager.

A third source of news to KMON is a wire service agreement with the Associated Press (AP). The service includes a teletype which prints all the latest news in a style written especially for broadcasting at a cost of $5,700 in 1973. AP is particularly useful during interims when ABC and IMN do not have any newscasts.

Thus, with expenses of $200,000 payroll, $21,100 for various programming services, a sizable amount for office expenses, and expenses for KNUW (examined later in this chapter), KMON had total expenses of approximately $325,000 in 1973. The revenues of the station will now be assessed to determine its overall profitability.

All of the income to KMON comes from advertising. Since it is the only AM station programming country music in a relatively rural market, the popularity of KMON is the highest among the radio stations in the Great Falls area. According to Arbitron, an organization which measures the audience listening to each radio station, KMON had the most listeners, especially among those of the working class thirty-five years and older. With the largest audience the station can, as a result, expect to sell the largest amount of advertising at the highest prices.

In selling advertising, salesmen at KMON strictly adhere to the station's rate card, which shows the prices charged for announcements at various times of the day. KMON has three different classes of times for determining advertising rates. Class AA consists of the broadcast time between 6:00 A.M. and 9:00 A.M.; 12:00 M. and 1:00 P.M.; and 3:00 P.M. and 7:00 P.M. All of the other times between 5:00 A.M. and 10:00 P.M. are in the Class A bracket, while commercial time between 10:00 P.M. and 5:00 A.M. is Class B time. The Class AA times are more expensive than Class A, which is, in turn, more expensive than Class B. KMON charges a certain rate for one advertisement but lowers the rates to an advertiser if he uses air time on the station for a package of messages, or when the same commercial is aired many times. A fictional sample of a rate card of a typical Great Falls station is in Table 8 in the Appendix. While KMON's rate card lists the amounts charged for thirty second and sixty second commercial messages with discounts shown for package plans, it also points out that an extra 20 percent will be charged if the advertiser wants his message aired at a certain time. Thus, if an advertiser is willing to have his commercial aired anytime between 6:00 A.M. and 9:00 A.M.; 12:00 M. and 1:00 P.M.; and 3:00 P.M. and 7:00 P.M., he pays regular Class AA rates; but if he wants it aired specifically at 7:35 A.M., he must pay the regular Class AA rates plus 20 percent.

In the station's request to the FCC for license renewal in October, 1973, KMON promised to air a maximum of eighteen minutes of commercial matter each hour. On the average, though, KMON airs only thirteen minutes of advertisements each hour.

KMON's four salesmen represent the station in the local area while IMN is its sales agent at the regional and national levels. IMN, with offices in principal business centers, represents over ninety radio stations in the intermountain West which would not otherwise have direct access to the main offices of regional and national advertisers and their agencies. KMON earned about $50,000 or approximately 16 percent of its revenue in 1973 from advertising sold by IMN. The other $320,000 in revenue in that year was from local advertising, with total advertising revenue, including the $1,200 fee from ABC, totaling $370,000.

Thus, after subtracting expenses, KMON had $45,000 in net revenue in 1973, earning a rather respectable profit for a market of Great Falls' size. In the years ahead, KMON expects to remain highly profitable with its following of country music listeners. Besides the expected expenditure of $20,000 for new transmitting equipment, Mr. Donohue also anticipates putting KMON into at least limited automation with a country music format in the near future. "For the price of a good disc jockey, we can get canned material," that sounds like it is live and direct from the KMON studios. "This would not be a reason for cutting down in personnel," according to the KMON general manager, "but it would require different types of personnel."[1] The current fee for this service is about $800 a month with an initial expenditure of nearly $40,000 for the new technical equipment that would be required for an automated format. So, even though KMON reported a substantial profit of $45,000 in 1973, the management is not content to remain stagnant and intends to change in the future.

KEIN

The call letters KEIN (pronounced "keen") are the newest AM radio call letters in Great Falls; but the station itself, at 1310 kilocycles, is the oldest in the state. Established in 1922 the station has had several owners. On October 1, 1972, the operation was purchased for $362,500 by its present owners, Meyer Great Falls, a wholly-owned subsidiary of Meyer Broadcasting; and its call letters were changed to KEIN at that time. Meyer Broadcasting, headquartered in Bismarck, North Dakota, also owns several other broadcast interests, including KOYN-AM-FM in Billings, Montana, KMOT-FM-TV in Minot, North Dakota, KUMV-TV in Williston, North Dakota, and KFYR-AM-FM-TV in Bismarck.

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[1] Interview with Al Donohue, KMON Radio, Great Falls, Montana, March, 1975.

As a subsidiary of Meyer Broadcasting, Meyer Great Falls "is an experiment in independent management and ownership to see if it can work," according to KEIN's operations director, Bryan Meyers.[1] R. Brad Baker, the KEIN station manager, owns a small part of the station as a result of this agreement. Therefore, Meyer Broadcasting is actually only loaning the money that KEIN needs to operate in hopes that it will eventually be paid back; and Meyer Great Falls pays interest on the accumulating loan to Meyer Broadcasting.

KEIN advertises itself in its application for license renewal to the FCC as "the only adult-oriented contemporary music station in the area, with a high percentage of golden oldies in the format."[2] The use of the word "only" is questionable as there are several other stations in Great Falls with basically the same format. Instead, KEIN could be referred to as a station programming the top forty popular hits with some older popular tunes, appealing to teens and young adults under thirty-five years old. The station has made great advances in attracting more listeners in the past two years and thus, increasing its revenues; but in 1973 the station was in its infancy stage with more expenses than revenues.

One of the first expenses to be incurred by the new owners was the purchase of a new transmitter for $10,000 and the expense of $5,000 to fix the old transmitter which is now being used for standby purposes. Another expenditure was for new recording equipment and control boards

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[1]Interview with Bryan Meyers, KEIN Radio, Great Falls, Montana, April, 1973.

[2]KEIN Radio, "KEIN Application for License Renewal," (Great Falls: October, 1973).

costing $11,000 for KEIN's production and control studios. And $3,000 was spent on general office supplies, including new desks and stationery. In its balance sheet dated October 31, 1973 (Table 2), Meyer Great Falls listed fixed assets, including twenty-six acres of land at the transmitter site north of Great Falls, as totaling $226,355.67. Most of this equipment is new and will probably last for many years; as a result, few expenditures of this type are expected in the near future. The KEIN studios are located in the First National Bank Building in downtown Great Falls. The station pays a monthly fee to the bank for the space. The bank, in turn, guaranteed in the lease agreement to buy back two-thirds of that fee in advertising on KEIN. Therefore, the station pays only a nominal net fee which Mr. Baker considers adequate for the station's current needs.

In 1973, KEIN employed fourteen people full-time with a total payroll of approximately $150,000 a year. Included are six employees in programming, four in sales, three in general administration, and one in programming and sales. The salesmen are paid a base salary with commission added after a certain amount of sales.

For its programming KEIN gets practically all of its single current records free from record manufacturers and distributors; but the station sometimes has to purchase a few of the older singles for its collection of "golden oldies" for a small fee. The station also pays royalties of music performances to both ASCAP and BMI. Finally, KEIN utilizes the facilities of the UPI Audio Network, which supplies both five-minute newscasts every hour, except at 2:00 A.M., 3:00 A.M., and 4:00 A.M., and a teletype at a total cost of $550 a month. The UPI Audio Network does not air commercials as ABC, CBS, and NBC do; and thus,

TABLE 2

MEYER GREAT FALLS, INC.

BALANCE SHEET

October 31, 1973

<u>Assets</u>	
Cash	$ 24,497.55
Accounts Receivable	21,269.02
Fixed Assets	226,355.67
Other Assets	130,690.40
Prepaid Charges	577.00
Total Assets	$403,389.64
<u>Liabilities and Equity</u>	
Accounts Payable-Current	$ 4,817.18
Current Liabilities	433,788.26
Capital	100,000.00
Undistributed Earnings	(135,215.80)
Total Liabilities and Equity	$403,389.64

SOURCE: KEIN Radio, "KEIN Application for License Renewal," (Great Falls: October, 1973).

the station must pay the rather high fee. When the station was purchased by Meyer Great Falls, it aired the programming of the CBS Radio Network. However, the management of KEIN decided to drop those broadcasts because CBS demanded that the station carry ten minutes of network material every hour before they would pay KEIN for the commercials on those programs; and the KEIN management felt that this was too much time to devote to essentially news programming. It should be noted that KEIN currently programs ten minutes of news every hour in the daylight hours, but some of this is local news which CBS would obviously not carry.

Thus, the operating expenses for KEIN Radio are about the same as other stations in Great Falls; but because of their unique arrangement with the parent company, interest payments to Meyer Broadcasting must also be included in KEIN's expenses in 1973. Mr. Baker would not indicate exactly what the station's total expenses were in 1973, but they did exceed the station's revenues by an amount exceeding $100,000.

Because KEIN was essentially a new operation in 1973, it had to start practically from scratch to build up a roster of advertising clientele. The station had a rough time at first because "we had a few salesmen who did not belong on the street," according to Mr. Baker.[1] But the station did broadcast approximately $15,000 of advertising a month for total revenues of $180,000 in 1973, although Mr. Baker also would not state the exact amount of revenues.

In selling advertising KEIN has a substantially different policy from that used by KMON. In its rate card the station lists practically the same times (6:00 A.M. to 10:00 A.M., 12:00 M. to 1:00 P.M., and 3:00 P.M. to 7:00 P.M.) as Class AA times; but other classifications differ. Class A times are between 6:00 A.M. and 8:00 P.M. The station also lists two R.O.S. (run of schedule) periods, the first between 5:00 A.M. and 1:00 A.M. and the second between 1:00 A.M. and 5:00 A.M. R.O.S. rates are essentially for those advertisers who do not care what time their commercial messages are aired because the advertisements can be broadcast anytime between 5:00 A.M. and 1:00 A.M. The second schedule of R.O.S. rates for 1:00 A.M. to 5:00 A.M. are much lower than the other

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[1]Interview with R. Brad Baker, KEIN Radio, Great Falls, Montana, March, 1975.

R.O.S. rates because of the small listening audience during that period of the day. KEIN does not require an additional 20 percent charge for advertising at a specific time, but instead only allows the advertiser to specify exact times if he pays the Class AA rates. An advertiser who purchases time at the Class A rate may have his message aired during Class AA periods if those periods are not already sold because KEIN always gives advertisers the best times possible. However, when Class AA periods are filled, the advertiser who pays Class A rates will have his message broadcast at the other times between 6:00 A.M. and 8:00 P.M. Class A rates also exist for an advertiser who does not want to worry about having his commercials broadcast after 8:00 P.M. to a younger audience. As a result of this entire confusing rate structure, KEIN tends to run an equal amount of advertising each hour, especially between 6:00 A.M. and 8:00 P.M., with a maximum of eighteen minutes of commercials per hour.

Because KEIN was a newcomer in 1973 and was at the bottom of the list for Great Falls AM stations as far as audience was concerned, it was relatively unknown to national and regional advertisers and thus aired very little of this kind of advertising. As the station has aged and gained more audience, it has picked up more of this advertising. It is currently represented by three agencies, PRO Time Sales in New York, Mountain Media in Denver and Salt Lake, and Tacher Company in Seattle and Portland.

In 1973, KEIN, as a new operation, had a very substantial deficit of over $100,000. In its application for license renewal dated October 31, 1973, Meyer Great Falls listed its undistributed earnings at a minus figure of $135,215.80 (Table 2). The application also stated that "the expected cash loss for KEIN in 1974 is $60,000. Meyer Broadcasting owns 96 percent of Meyer Great Falls. As a stockholder, Meyer Broadcasting guarantees loans of Meyer Great Falls and agrees to further advances of cash to the corporation of $100,000 in 1974."[1] Although the station manager, R. Brad Baker, would not admit that the deficit was over $100,000, he did say, "We had a year where we projected a loss and went way over it."[2] Meanwhile, Meyer Broadcasting can be said to be financially sound. On December 31, 1973, the company had an unaudited after-tax profit of $164,771.89.[3] When asked about the financial status of Meyer Broadcasting, Bryan Meyers replied, "They're doing well enough to absorb the loss here [in Great Falls]. For example, the operations in Billings had a 15 to 20 percent profit last year [1972]."[4]

Concerning the parent company's accumulated loan to KEIN, Mr. Baker thinks that it will be paid back completely within six to eight years. KEIN no longer needs to borrow any money from Meyer Broadcasting; but it obviously cannot pay back the $500,000 accumulated loan in a short time either. "Even though our billing goes up (one-third increase in 1974 over 1973)," Mr. Baker explained, "inflation means it has to go up that much more to pay back the loan."[5]

Thus, although KEIN had a substantial deficit in 1973, it has, in 1975, advanced to the point where it no longer needs to borrow money

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[1]"KEIN Application."

[2]Interview with Baker.

[3]"KEIN Application."

[4]Interview with Meyers.

[5]Interview with Baker.

and is making slow progress toward paying off a sizable loan. However, it does seem questionable that the $500,000 will be completely paid in only eight years, especially after looking at the profit figures of the highest grossing station (KMON) in town.

KARR

All of the other stations reviewed in this report emphasize a certain brand of music in their program schedule with a limited amount of talk. In contrast the general manager of KARR Radio, Sell Rapkoch, prefers to promote his station's highly informational content with lots of talk. In between the emphasis on news, sports, and other talk programming, the station at 1400 kilocycles does feature middle-of-the-road (between classical and top-forty rock) music with "a high incidence of melody."[1] The station's application for license renewal refers to KARR as the "only adult-oriented station with a good MOR [middle-of-the-road] format."[2]

KARR went on the air in 1947 and has had three owners. The current owners, Cummings Communications, acquired the license for the station and its equipment in 1973 for $325,000 (with KOPR-FM) from Pat Goodover, who retained the building and land where the station operates and currently charges Cummings a rental fee for their use. Cummings Communications also owns several other stations in the Midwest, including

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[1] Interview with Sell Rapkoch, KARR Radio, Great Falls, Montana, April, 1975.

[2] KARR Radio, "KARR Application for License Renewal," (Great Falls: October, 1973).

WLTD in Evanston, Illinois, WNAM in Neenah, Wisconsin, and WRRR in Rockford, Illinois. When asked why a company that operates basically in Illinois would want to purchase a station in Montana, Mr. Rapkoch replied that "KARR looked like a promising opportunity in Great Falls, which is a relatively good market."[1] At KARR, Cummings owns equipment that has a replacement cost of approximately $60,000 (but most of it should not need to be replaced in the near future). Because the station's application for license renewal did not have a balance sheet, an approximate summary of financial items is listed in Table 3.

TABLE 3

KARR RADIO, UNOFFICIAL STATISTICS

Fixed Assets (including KOPR)		$ 90,000.00	
Revenues:			
National, Regional	$ 30,000.00		
Local	170,000.00		
Total Revenues		$200,000.00	
Expenses:			
Payroll	$150,000.00		
Programming	4,800.00		
Associated Press	5,200.00		
General Administrative	37,000.00		
Total Expenses		$197,000.00	
Net income (approximate)			$3,000.00

SOURCE: Interview with Sell Rapkoch, KARR Radio, Great Falls, Montana, April, 1975.

[1] Interview with Rapkoch.

In order for KARR to broadcast its programs on a 24-hour basis, twelve people are employed at the station. Two of these individuals work in the sales department and are paid a guaranteed salary plus commissions on certain sales. Of the other employees five are in programming, two are in engineering, and three are in general administrative work. These personnel earn a total of approximately $150,000 a year for their efforts.

Because most free recordings, that manufacturers distribute, are new tunes that hopefully will become popular and because KARR programs mostly familiar music than new music, the station must spend more money for their music than the other AM stations in town. KARR relies mostly on a taped music service furnished by Sound Production Service along with recordings from its own music library. The station also has subscribed to several syndicated programs, such as Earl Nightingale and the CBS Mystery Theater (which is separate from the CBS news network). In total approximately $4,800 per year is spent on KARR's entertainment programming (excluding sports coverage).

The management of KARR considers its music programming as only a pause between its informational programming. For its many news broadcasts, the station basically depends on two sources. First, KARR airs all of the news broadcasts (on the hour), commentaries, and other features from the NBC Radio Network. Because NBC does have commercials in its programming, the network does pay KARR for broadcasting it; but it is a mere "pittance," according to Mr. Rapkoch.[1] Also, the station utilizes the wire service of UPI for just under $100 per week.

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[1]Ibid.

KARR depends on a high percentage (compared to other Great Falls stations) of live play-by-play sports programming, including professional and amateur baseball, basketball, and football, and the Indianapolis 500. Even though the costs for these broadcasts are high (because of the technical complications involved), the station has found that they are profitable. Many businesses are eager to advertise on these programs.

Just like all the other radio stations in town, KARR depends upon advertising to generate enough revenue to pay the expenses of the station and to earn a small profit. In establishing rates for advertising, KARR uses quite a different procedure than the "class" method used by KMON and KEIN. Instead of charging different rates for advertising aired at different times of the day, KARR charges different rates for advertising aired by the week, month, or year. The yearly rates are the least expensive, but an advertiser must purchase at least 600 commercials over a year's time to qualify. However, when an advertiser buys commercial time at the monthly rates, he gets a five percent discount if they are aired over a three-month period, a 10 percent discount if over a six-month period, and a 15 percent discount if over a twelve-month period. With the 15 percent discount, the monthly rates are approximately equal to the yearly rates; and the advertiser can remain more flexible and commit himself only a month at a time rather than to a year-long schedule. With all of these rate plans, commercials are guaranteed to be aired on the station between 6:00 A.M. and 11:00 P.M.; but if an advertiser wants a particular time for his commercial, the rate will be increased 25 percent. Certain discounts are also allowed for commercials aired between 11:00 P.M. and 6:00 A.M. The maximum commercial time per hour on KARR is eighteen minutes, although the station has averaged only about fifteen minutes of advertising during daytime hours.

Most of the advertising placed on KARR Radio is from local businesses. In 1973 no more than 15 percent of the commercials aired on the station were from national and regional advertisers. The station's primary representative for this type of advertising is Bob Hix in Denver.

As a result of these efforts, KARR is "keeping above water" financially, according to the station's general manager.[1] The station sold nearly $200,000 in advertising in 1973 and generated a small surplus over its various expenses. It should be noted, however, that the station recently changed hands and Cummings Communications chose to pay the full purchase price of the station immediately rather than have the station pay for itself with its future revenues as has been the case with KEIN.

The station's general manager, Sell Rapkoch, sees an excellent future for his station. "We have a considerably better product from what we had a year ago. We are more dynamic and into things that we have never been into before. We have expanded our sports and updated our music. And our broadcast personnel are more dynamic."[2] But then again, Mr. Rapkoch cannot be considered an unbiased source on the outlook of KARR Radio.

KUDI

With respect to Great Falls AM radio, KUDI is the last station on the dial at 1450 kilocycles. Began in 1955, the station has changed

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[1] Ibid.

[2] Ibid.

hands four times, with its present principal owners being the family of Leo Graybill. When he purchased KUDI in 1965, Mr. Graybill established Frontier Broadcasting to operate the station with his family as the stockholders; but recently, he has given Jerry R. Hartline, general manager of the station, a small portion of the stock. In its rate card KUDI claims that it is the "only consistently contemporary station in the market,"[1] which is true to the extent that it has been programming contemporary top forty music since its inception. At the same time the station's application for license renewal says that KUDI "projects a youthful, modern, moving image, fast-paced and bright."[2] In 1973, KUDI was rated second in popularity after KMON; but the newcomer, KEIN, was rapidly gaining more listeners.

With studios located at 1026 Central Avenue, KUDI has relatively new broadcasting equipment, much of which is only three years old. The transmitter, which is situated next to the Westgate Shopping Center, has been in use since 1955. In the balance sheet included in its application for license renewal, Frontier Broadcasting had fixed assets with a value of $50,155.38, less $30,983.50 accumulated depreciation (see Table 4). The land, worth approximately $50,000, and buildings housing the transmitter and studios are not listed on this balance sheet. This property belongs to Mrs. Graybill, and the corporation pays rent on the land and the buildings.

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[1] "KUDI Rate Card," May 1, 1974.

[2] Graybill, Ostrem, Warner, and Crotty, "KUDI Application for License Renewal," (Great Falls: October 1973).

TABLE 4

FRONTIER BROADCASTING, BALANCE SHEET

October 31, 1973

Assets		Liabilities		
Cash in Bank	$ 3,035.59	Accounts Payable		$ 4,405.30
Savings Account	705.28	Accrued Payroll Taxes		843.99
Accounts Receivable	24,295.39	Notes Payable		6,000.00
Advance to Employees	103.60	Total Current Liabilities		$11,249.29
Total Current Assets	$28,139.86			
Building Facilities	$ 7,964.71	Loans Payable		$18,820.78
Furniture	3,656.90	Notes Payable		19,718.29
Radio Station Equipment	17,711.27			
Power	8,000.00	Total Long-Term Liabilities		$38,539.07
Transmitter	7,500.00			
Audio Deck	5,322.50	Stockholders' Equity		
	$50,155.38	Capital Stock	$10,202.00	
Less Accumulated Depreciation	(30,983.50)	Retained Earnings	(12,630.62)	
Total Fixed Assets	$19,171.88			$(2,428.62)
Prepaid Expenses	48.00			
Total Assets	$47,359.74	Total Liabilities and Stockholders' Equity		$47,359.74

SOURCE: Graybill, Ostrem, Warner, and Crotty, "KUDI Application for License Renewal," (Great Falls: October, 1973).

Generally, KUDI has a significantly lower overhead than its main competition, KEIN. KUDI has only twelve full-time employees along with three part-time people all earning a total of approximately $120,000 in 1973. Included in the full-time staff were six individuals in programming, three in general administration, two in sales, and one engineer. The part-time personnel were involved in announcing and special programming.

KUDI had expenses of nearly $20,000 for programming in 1973. The station receives practically its entire record library free of charge from recording distributors and manufacturers, but it must pay the annual fee to ASCAP and BMI for broadcast rights to the music on those records. In 1973 the station did not belong to any radio network. It used the services of the AP teletype for its newscasts at a cost of $105 a week. Within the last year, however, KUDI has discontinued the services of AP and added the CBS Network (referred to in the previous report on KEIN). When asked why KUDI decided to add CBS after many years of nonaffiliation with any network, Mr. Hartline answered, "We are upgrading our demographics. With our affiliation with CBS, we get twenty-two year olds instead of twelve year olds."[1]

After adding office expenses, KUDI had expenses of approximately $200,000 in 1973, which is also the approximate amount of revenues that the station accumulated in that year.

In placing advertising on KUDI, the salesmen use a rate card somewhat similar to that used by KARR; they simply sell time in different

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[1] Interview with Jerry R. Hartline, KUDI Radio, Great Falls, Montana, March, 1975.

packages, at weekly, monthly, and yearly rates. The monthly rates are the least expensive, although the advertisers who use the year-long package do earn a 10 percent rebate at the end of the contract period. Also, KUDI offers a special "wonderful week-ends package" for advertisers who want their messages aired all in one weekend. KUDI will not guarantee that an advertiser's messages will be broadcast at any special time for any of these packages. But the sales manager Jack Thiel does claim that over 90 percent of the time, the advertiser will get his commercials aired in the time periods he prefers and that no extra fee is charged for this service. Simultaneously, the management at KUDI does not give discounts to advertisers who want to advertise only in late night or early morning hours because, through special contests and promotions, they have found that just as many people are listening during these hours (12:00 P.M. to 5:00 A.M.) as during other hours of the day. Also, in contrast to the maximum of eighteen minutes on the other three AM stations, it should be noticed that KUDI has a maximum of sixteen minutes of commercial matter per hour; and it tries to keep this advertising down to twelve minutes unless there is an unusually high demand (at holiday periods).

Since Frontier Broadcasting had the second most popular station in Great Falls in 1973 with a "youthful, modern, moving image,"[1] it seems that a significant amount of national and regional advertising would have been attracted to the station. Mr. Thiel says that approximately 15 percent of the advertising aired on KUDI was from national and regional sources, placed mostly with the help of the station's representative,

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[1]"KUDI Rate Card."

Alan Torbet, who has offices in many of the major metropolitan areas in the country.

As noted previously, KUDI had total advertising billings of approximately $150,000 in 1973. With expenses subtracted from this amount, the station had an approximate profit of a few thousand dollars. According to General Manager Jerry Hartline, "KUDI has been in the black every year, as far as I know. We have had relatively steady sales of advertising each year until this year, when the amounts sold have gone up every month."[1]

However, in the balance sheet (Table 4), Frontier Broadcasting has a retained earnings deficit of $12,630.62, indicating that when the station was originally purchased by the Graybills, it had a large deficit but that this has decreased through the years as a result of the profits the station has earned.

The general manager of KUDI believes that the future of the station looks very good. "If I wasn't encouraged, I'd probably be looking for something else to do. With advertising dollars on radio compared to the cost of television and print media, we're going to do super."[2]

FM Stations

KNUW

Al Donohue has a monopoly on broadcast stations that are first on their respective bands in Great Falls because KMON is first on AM and KNUW is first on FM at 94.5 megacycles. But even though both stations

[1] Interview with Hartline.

[2] Interview with Hartline.

have the same owner and are both first on Great Falls radio dials, KMON and KNUW are quite different when their respective programming characteristics are compared.

KNUW went on the air in 1973 after Mr. Donohue made an $80,000 investment in equipment for transmitting and programming. Since the station started broadcasting, it has aired music supplied by the Drake-Chenault programming service which, until the beginning of 1975, consisted entirely of a contemporary MOR service called Hit Parade. And while KMON has aired 100 percent country music, KNUW has also added a more uptempo programming service from Drake-Chenault called Solid Gold after 3:00 P.M. with Hit Parade aired between 6:00 A.M. and 3:00 P.M. These services from Drake-Chenault, costing $500 per month, are automated, which means that they require very little human attention after the music tapes have been placed on the station's special tape players. However, the people who do this and record weather announcements and commercials for KNUW are KMON personnel. Therefore, while it can be said that fifteen people work for KNUW, no one actually works full-time for the station. All of the personnel of KNUW, including salesmen and announcers, work primarily for KMON and only secondarily for KNUW. Thus, the broadcast facilities of the FM affiliate need to be located in the Holiday Village, in the same offices as KMON. But KNUW's transmitter is located at the KRTV tower north of Great Falls while the transmitter for KMON is located south of Great Falls. For its news programming KNUW carries broadcasts of the ABC Contemporary Network at no charge while its affiliate, KMON, carries newscasts from the ABC Information Network.

KNUW is an operation with a very low overhead, especially when compared with the AM stations which have already been reviewed. The only real operating expenses that the station can readily separate from KMON's expenses are the fees for the programming services and the electricity costs at the transmitter. All shared expenses would be costly to allocate between the stations; and because the two stations are owned by the same individual, it simply is not necessary.

Total expenses for Mr. Donohue's radio stations can be mostly attributed to the operation of KMON; and as a result, salesmen for the two stations spend little time promoting and selling advertising on KNUW. They usually try to sell commercials on KMON; and if they can sell advertising time on KNUW at the same time, they are happy to do so. But they usually do not try to sell advertising on KNUW exclusively, although it does have its own rate card similar to KMON's except that commercials on the station cost about half as much. Since the stations are directed at two different segments of Great Falls and Montana listeners (KMON for those who like country music and KNUW for those who like pop and light rock music), it only stands to reason that most of those advertisers who want to use KMON, such as a farm equipment business, are not interested in using KNUW for their commercial messages. As a result, KNUW averaged only a few minutes of advertising per hour in 1973 although the management would allow a maximum of fifteen minutes of commercials per hour on the station if the salesmen could get enough advertisers interested.

Even with the low number of commercial minutes, the low overhead of KNUW has prevented Mr. Donohue from incurring a substantial deficit from operations. The good profit from KMON has helped him absorb the small KNUW loss without any problem. According to KNUW's request for license renewal in 1973 to the FCC, "The growth of FM in Montana and Great Falls has been anything but spectacular, while in the more populous part of our country FM has arrived. A financially solid sister AM station [KMON] is able to nurture the FM slowly but hopefully, building an audience that is becomming aware of the full beauty of FM. . . . At present KNUW is a labor of love, for during its first year of existence, it would not have shown a profit had it been required to stand on its own two feet." In time, though, with more push from the KMON salesmen, KNUW should have no trouble standing on its own two feet.

KANR

As the only FM station in Great Falls which is not affiliated with an AM outlet, KANR is also the only FM station which cannot depend on financial support from its AM counterpart. Yet, according to its owner and general manager, Frank Anderson, the station is breaking even. On the other hand Mr. Anderson is also the owner and manager of Electric City Radio Supply and has always felt that Great Falls needs a stereo FM station with good music and as little talk as possible, not only to please listeners but also to help his radio supply business sell stereo receivers. Before KANR went on the air at 98.9 megacycles, only one FM station (KOPR) was operating in Great Falls; and it was then simulcasting monophonically its programming almost entirely from its AM affiliate (AM stations do not have the technical capability of broadcasting in stereo). Partly as a result of this deficiency, Mr. Anderson put KANR on the air in 1972 with a format of mostly light instrumental music and no news. And now, Mr. Anderson claims that KANR has the "biggest adult listening audience in

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[1]KMON Radio, "KMON/KNUW Application for License Renewal," (Great Falls: October, 1973).

town,"[1] but that depends on how the word "adult" is defined.

KANR has operated with approximately $100,000 worth of technical equipment, including a transmitter valued at $10,000 and automated equipment which does not require constant attention. Mr. Anderson does not expect to replace this equipment in the future. He says, "Like a car, if you keep the equipment maintained, it never wears out."[2] The facilities for KANR, including the transmitter, are located in the same building as Electric City Radio Supply.

To program the station, Mr. Anderson has used the services of IGM (International Good Music), which sends him tapes of announced music that are programmed to operate on his automated tape players. An mentioned above, he programs no news on the station because he believes that all the networks are too biased.

On the payroll of KANR, Mr. Anderson has one salesman who has been paid strictly on a commission basis, depending on the amount of advertising he sells. Although he would not say, Mr. Anderson probably does not take any money out of the station for himself as he seems to be operating it to stimulate sales of stereo receiving equipment at his other business, Electric City Radio Supply.

KANR also has the obvious expenses of office supplies, electricity, and payment of the fees to ASCAP and BMI. But when the expenses of KANR are examined closely, they are narrowed down almost completely to the fee charged by IGM for its programming service. The salesman is not

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[1]Interview with Frank Anderson, Electric City Radio Supply, Great Falls, Montana, April, 1975.

[2]Ibid.

an expense unless he makes revenue for the station by selling advertising; therefore, the revenues can simply be decreased by his commission. The office supplies and fees are obviously quite nominal, and many are incorporated into Electric City Radio Supply's expenses.

In order to pay IGM for their programming services, some advertising is necessary. KANR averages about four minutes of advertising per hour, with a maximum of eight minutes. Since advertising is one of the big elements of talk on most stations, Mr. Anderson is keeping his promise of allowing as little talk as possible on the station.

The rate card for KANR is very simple with one section of rates for thirty second messages and the other section for sixty second messages. The lowest rates are charged to an advertiser who advertises during the entire year with higher rates used for shorter advertising periods. No additional charge is specified for commercials aired at certain times of the day; and at this point Mr. Anderson can practically guarantee to air messages whenever the advertiser wants. He does, however, charge an extra amount for certain times of the day if an advertiser wants to sponsor an entire half-hour program. There is very little regional or national advertising on the station.

To attract any advertising, the owner and general manager of KANR maintains that he does his own research to find how many people actually listen to KANR. He does not like to rely on the rating system used by other stations in Great Falls because he says that they do not show who is actually listening. "With what [ratings on television] they have now," Mr. Anderson says, "they take good programs off the air and leave the bad ones on."[1] As a result of his own research, though, Mr. Anderson has concluded that he has the "biggest adult listening audience in town."[2]

With his advertising plan Mr. Anderson maintains that he is breaking even and is able to pay his bills to IGM for their programming services. However, with his philosophies, the probability that KANR will become a big money-making operation in the future is small as long as the current owner is in charge. But he is happy with his station, and that is what counts.

KOPR

With call letters KOPR (pronounced "copper"), it might be expected that this station would be located in Butte, where much copper is mined, rather than in Great Falls. This was the case many years ago until the station KOPR went defunct in Butte. Then, in 1963, the letters were given to the first FM station to broadcast in Great Falls.

At 106.3 megacycles, KOPR has been owned and operated by the same company that runs KARR. The station was purchased in 1973 by Cummings Communications in the same deal with KARR at a price of $325,000 for both stations. For the first several years of its existence, KOPR simply broadcasted KARR's programming on the FM dial (simulcast) with a few exceptions, such as weekly Metropolitan Opera broadcasts. Then, several years ago, especially with the advent of FM broadcasting by KANR, KOPR began broadcasting its own programming on a sixteen-hour basis, with the hours between 12:00 P.M. and 8:00 A.M. still used for a

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[1] Interview with Anderson.

[2] Ibid.

simulcast of KARR's programs. To do its own programming, the station added new automated equipment, which, along with the station's transmitter previously in use, can be valued at $30,000.

During the period between 8:00 A.M. and 12:00 P.M., KOPR broadcasted in 1973 the programming service from Broadcast Production, Inc. (BPI), called Sounds for All Seasons for $350 a month. This service consisted of mostly instrumental versions of easy-listening tunes or background music. It was somewhat the same light music that is used by the sister station KARR. Of course, KOPR does not air much of the talk programming of KARR; but it does use the same NBC newscasts on the hour that its affiliate carries. (At the time this report is being written, KOPR is in the process of changing to an automated country music format.)

Like KNUW's affiliation with KMON, KOPR uses the personnel of KARR for all of its broadcast work. Not one individual at the station works exclusively for KOPR, but all twelve employees of KARR devote at least a little time to the operation of KOPR. And the KOPR studios are also located in the same building as the sister station. Thus, most of the expenses for KOPR, except for the service of BPI, are too difficult to separate from the identical expenses of KARR.

In selling advertising on KOPR, the KARR/KOPR salesmen use basically the same method that the KMON/KNUW salesmen use. That is, they try to sell advertising on the AM station and if they can sell it on the FM at the same time, they will; but they usually do not try to push advertising on KOPR exclusively. However, unlike the KMON/KNUW combination, many of the advertisers who wanted to advertise on KARR may have also wanted to advertise on KOPR because the formats were rather similar musically and they both appealed to essentially the same audience, adults over twenty-five years old.

For advertising on KOPR exclusively, the salesmen charge 75 percent of the rate specified on the KARR rate card. But if the advertiser wants to advertise also on KARR at the same time, the salesmen will charge only 50 percent of the regular rate for the advertising on the FM station plus the regular rate for the advertising on KARR. Thus, the advertiser will save a significant amount if he advertises on both stations.

Mr. Rapkoch maintains that not enough advertising is sold on KOPR to keep it financially profitable or to essentially pay the bill of only the programming service. If the station was not affiliated with KARR or any other AM operation, he says that KOPR "would not be able to carry itself."[1] It does seem puzzling that an FM station (KANR) with basically the same format (instrumental background music) but with no AM affiliation is at least breaking even, according to its owner; while KOPR, which should theoretically benefit from its association with AM, has not been able to bring in enough money to pay the bills. However, a move toward making KOPR more lucrative has recently been made with the switch to country music.

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[1]Interview with Rapkoch.

CHAPTER III

RESULTS OF ALL STATIONS COMBINED

According to the reports in Chapter II, the four AM stations in 1973 had total expenses of nearly $970,000 (averaging $242,500 per station). The FCC listed AM broadcast expenses for 1973 in Great Falls at $940,890.[1] Thus, for such large numbers the individual station studies were reasonably accurate if the FCC figures are considered as being completely accurate. Jerry Hartline of KUDI did mention that the financial reports to the FCC can be misleading "because the FCC doesn't check up to see if [the station involved] really did that amount of business;"[2] but since the figures given in Chapter II reasonably compare with figures in the FCC report, this paper will consider the FCC's statistics to be reasonably accurate.

Great Falls AM radio stations reported, in Chapter II, revenues of $900,000 (averaging $225,000 per station). All four stations, as a whole, spent approximately $70,000 more than they earned in 1973, according to the figures given in personal interviews with the respective general managers. The FCC figures show that Great Falls stations earned $868,587 during the 1973 broadcast year, giving them a total deficit of

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[1] "Radio Record in 1973," p. 58.

[2] Interview with Hartline.

$72,303.[1] Therefore, all the figures given in personal interviews by radio station officials were highly consistent with figures in the FCC report for 1973.

The FCC breaks down the station revenues into network, national and regional, and local advertising. All of the general managers said that the amount of money that they received from airing commercials on network programs was negligible, with Mr. Rapkoch of KARR calling his station's remuneration from NBC a mere "pittance."[2] But the FCC figures for 1973 show that the four stations received a total of $24,124 for network time sales.[3] General managers also generally agreed that about 15 percent of their respective revenues, or a total of $145,000 was gained from national and regional sponsors. The FCC states that $148,428, or 17 percent of the total revenues were obtained from advertisers based outside of the Great Falls area. Regardless of these slight discrepancies, advertising from local businesses still made up the bulk of advertising revenue for Great Falls broadcast outlets. $727,603 in revenue was generated from local sources in 1973, according to the FCC. A final source of revenue that the FCC lists is the value of trade-outs and barter transactions. This category would encompass such items as KMON's agreement with the Holiday Village to broadcast advertising in return for space in the shopping center. For all AM radio stations in town, these transactions were valued at $10,336. Totaling all these types of revenue, one gets a sum of $909,491; but

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[1] "Radio Record in 1973," p. 58.

[2] Interview with Rapkoch.

[3] "Radio Record in 1973," p. 58.

this is well in excess of the total broadcast revenues previously listed at $868,587.[1] This discrepancy exists because total revenues consist of total time sales and other incidental broadcast revenues, less commissions, which were not figured into the above revenue categories.[2]

When revenues for Great Falls stations are compared with previous years' statistics published by the FCC, a trend can be developed showing increasing revenues. In 1971, the stations earned $783,448.[3] Revenues received in 1972 were $821,785.[4] Thus, during the last three years that reports have been published, receipts for the stations have increased about $40,000, or approximately five percent, per year. For the most part, however, these increases have not kept pace with inflation or with the rise in expenses. For example, in 1971, the four AM stations had only $694,084 in expenses and an income of $89,364 before taxes.[5] The expenses increased significantly in 1972 to $802,574, and a total income of $19,211 was earned that year.[6] Again, a decisive gain in expenses developed in 1973; $940,890 was expensed then for a deficit figure of $72,303.[7] The above data is summarized in Table 5.

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[1] Ibid.

[2] Ibid., p. 62.

[3] Federal Communications Commission, 38th Annual Report/Fiscal Year 1972, (Washington, D.C.: Government Printing Office, 1973), p. 214.

[4] Federal Communications Commission, 39th Annual Report/Fiscal Year 1973, (Washington, D.C.: Government Printing Office, 1974), p. 261.

[5] FCC, 38th Annual Report, p. 214.

[6] FCC, 39th Annual Report, p. 261.

[7] "Radio Record in 1973," p. 58.

TABLE 5

GREAT FALLS RADIO--OFFICIAL FCC FIGURES

	1971	1972	1973
Expenses	$783,448	$821,785	$868,487
Revenue	694,084	802,574	940,890
Income	89,364	19,211	($ 72,303)

SOURCES: Federal Communications Commission, 38th Annual Report/ Fiscal Year 1972, (Washington, D.C.: Government Printing Office, 1973), p. 214; Federal Communications Commission, 39th Annual Report/Fiscal Year 1973, (Washington, D.C.: Government Printing Office, 1974), p. 261; "Radio Record in 1973: Sales Up, Profits Down," Broadcasting, January 20, 1975, p. 58.

The main reason for the 1973 deficit, however, was the unique accounting method used by KEIN. Unlike other stations, including KARR, which ignore the purchase price of the station in their accounting methods, the management of KEIN will be using the station's revenues to pay for the price of the station and all of the interest that is accrued during the payback period. As the station can probably only be expected to obtain, at a maximum, gross revenues of $300,000, with yearly operating expenses of over $200,000, it will take several years to pay back the principal ($362,500) itself, ignoring the interest involved. In 1973, the station was not even earning enough to pay its operating expenses. It expected a cash loss of $60,000 in 1974. At the same time KUDI and KARR have been consistently earning at least small profits; and KMON has been generating rather significant surpluses. Thus, after KEIN has been in operation for a few more years and has at least begun to repay significant amounts of the 1973 purchase price of the station to its parent company, Great Falls should once again have a small net income from its four AM stations.

Great Falls FM operations, even though the three stations have relatively low overheads compared to their AM counterparts, have not been able to bring in enough revenues to do anything more than break even. Although the owner of KANR maintained that his station was "breaking even more or less,"[1] the managers of the other FM operations, both directly affiliated with AM stations, said that it would be quite tough keeping the FM's in operation at all if it was not for their respective sister stations. In any case all three FM stations in Great Falls, according to financial data tabulated by the FCC, reported revenues of only $26,243 in 1973.[2] With the large investments involved and even the small operating costs, it is doubtful that this revenue paid for the operation of those three stations (the FCC does not reveal expenses for FM stations). In a few years this revenue should grow substantially more than the five percent yearly increases on AM, and the FM operations should start bringing in small profits.

In comparing various expense and revenue items among the seven radio stations in Great Falls, there are many similarities. As far as basic programming concepts are concerned, the four AM stations all use basic music formats, although different kinds of music are played on each outlet, with some news interspersed during the broadcast day. KMON and KEIN have more employees than KARR and KUDI, but all the stations spend relatively the same percentage of their total expenses on payroll. The FM stations all use automated program formats furnished by national

[1] Interview with Anderson.

[2] "Radio Record in 1973," p. 63.

syndicators and have very low overheads when compared to AM operation.

In the research on radio broadcasting in Great Falls, one basic difference between the stations is apparent. This is their different methods of selling advertising, each station's basic source of revenue. Because of the rather large number of stations in this rather small market, it would seem natural that each station would have a rate card similar to the other stations in town so that a prospective advertiser could easily compare rates. This is not the case. The only similarities in rate cards are between AM and FM sister stations. One station will guarantee that an advertisement will be aired at a specific time for an extra surcharge of 20 percent while another station will not charge an extra fee for these times, and a third will only guarantee a special time if the highest rates are paid. Some stations charge different rates for advertising aired at different hours of the day while others only differ their rates for advertising aired for various lengths of time (days, weeks, months, or years). Each station's rate card has its own little pecularities which prevent its comparison with the other stations. Thus, a prospective advertiser is in a difficult position when attempting to make a rational choice about which station offers the most for his advertising dollar. The individual rates for a thirty second or sixty second commercial on each station are somewhat similar, with KMON's charges being the highest because it has the most listeners; but when all of the gimmicks, frequency discounts, and rebates are entered into the situation, it becomes a puzzle. All the advertiser can hope for is that the station salesmen can interpret these rate cards so that he can end up with the best radio advertising purchase. To an outsider the various rate cards themselves defy accurate interpretation.

The stations, however, seem to be selling enough advertising to keep from getting into serious financial trouble. The $72,303 deficit comes down to a peculiar accounting situation with one station, KEIN. This should be remedied in a few years. But at the same time owners should not look for all of the radio stations in Great Falls to make substantial profits either.

CHAPTER IV

COMPARISONS AND CONCLUSIONS

Each year, the National Association of Broadcasters (NAB) tabulates financial figures for radio stations across the nation. Instead of releasing the figures by individual market as the FCC does, the NAB publishes its figures by market size. Great Falls is a market with 50,000 to 100,000 population, according to the NAB, and all station figures for this market size are presented in Table 30 of their 1974 Radio Financial Report. In this publication 1973 figures are given for all AM stations (of which there were thirty-two in these markets) and also for profit-only stations (of which there were twenty-four). Typical revenue amounted to $256,700 for all stations and to $268,000 for profit-only stations. Both of these figures are above the norm of $217,147 for Great Falls stations. On the same chart (summarized in Table 6) expenses for radio stations in markets comparable to Great Falls were $242,700 for all stations and $246,300 for profit-only stations.[1] This compared to an average of only $235,222 in expenses for Great Falls stations were less than $10,000 below expenses for all stations in comparable markets, revenues were more than $40,000 less, exemplifying the sizable deficit of $72,303.

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[1]"Fulltime Revenue and Expense Yardsticks--Market Size 6 (50,000-100,000 Population)," 1974 Radio Financial Report, (Washington, D.C.: National Association of Broadcasters, 1974), table 30.

TABLE 6

TYPICAL REVENUE AND EXPENSE FIGURES FOR

AM RADIO STATIONS IN MARKETS WITH

50,000-100,000 POPULATION IN 1973

	All Stations (32)	Profit-Only Stations (24)	Great Falls Stations (4)
Total Broadcast Revenue	$256,700	$268,000	$217,147
Total Broadcast Expenses	242,700	246,300	235,222
Profit (Before Federal Income Tax)	$ 14,000	$ 21,700	($ 18,075)

SOURCE: "Fulltime Revenue and Expense Yardsticks--Market Size 6 (50,000-100,000 Population)," 1974 Radio Financial Report, (Washington, D.C.: National Association of Broadcasters, 1974), table 30.

The NAB table also lists typical profit figures for all stations in markets with populations between 40,000 and 100,000 as $14,000 and for profit-only stations as $21,700.[1] Since Great Falls stations had a large deficit, these figures are far above the Great Falls average loss of $18,075. Only one of the profitable stations in town exceeded the $21,700 average. KMON was significantly higher at $45,000 while KARR and KUDI each had profits of a few thousand dollars. NAB figures do

[1] Ibid.

show that most stations in markets with the same approximate populations as Great Falls can make a profit (only eight stations out of thirty-two reported losses).[1]

The problem with the NAB statistics is that they show revenues and expenses for all markets of the same population regardless of other characteristics of the areas, such as the main industries and their locations. Many of the twenty-four profit-reporting stations could have been in more prosperous and faster-growing areas with completely different dominant industries than central Montana. To remedy this situation, comparisons will now be made with markets of the same approximate populations as Great Falls and also with the same cultural and agricultural backgrounds. Consequently, all comparison markets (summarized in Table 7) are in the Midwest or Rocky Mountain areas because markets in other areas do not have the same kinds of weather and may not be as dependent on agriculture.

The most obvious market to compare with Great Falls is Billings. With almost identical populations in the same state, the only basic difference between the two cities is that Great Falls has an additional 8,374 people stationed at nearby Malmstrom Air Force Base.[2] Billings has five AM stations and in 1973 those operations had total revenues of $1,173,553 and expenses of only $1,108,302 for total income in the market of $65,251 in 1973,[3] according to the FCC. It is interesting to note, though, that revenues for the city decreased considerably in 1973 from

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[1] Ibid.

[2] World Almanac, p. 172.

[3] "Radio Record in 1973," p. 57.

TABLE 7

COMPARING INCOME OF GREAT FALLS AM RADIO STATIONS TO INCOMES OF STATIONS IN MARKETS WITH SIMILAR POPULATIONS AND CHARACTERISTICS IN 1973

	Total Broadcast Revenue	Total Broadcast Expenses	Total Broadcast Income*
Billings (5)	$1,173,553	$1,108,302	$ 65,251
Missoula (4)	933,216	829,835	103,381
Rapid City (4)	836,705	716,425	120,280
Minot, N.D. (4)	856,324	752,811	103,513
Great Falls (4)	868,587	940,890	(72,303)

SOURCE: "Radio Record in 1973: Sales Up, Profits Down," Broadcasting, January 20, 1975, pp. 57-62.

*Before Federal Income Tax.

the $1,273,661 total in 1972 while expenses went up only $3,000; and the income figure decreased by more than $100,000 during 1973.[1] Thus, although Billings still had a substantial profit for its stations, the notable decrease in revenues, with no real increase in expenses, does not really relate well to the situation in Great Falls, with a $40,000 increase in revenues and the $140,000 increase in expenses from 1972 to 1973. It should also be noted, however, that Billings stations aired in excess of $300,000 more advertising than Great Falls stations in 1973;

[1] FCC, 39th Annual Report, p. 260.

for populations of the same size with the same characteristics, this is a rather large difference.

AM stations in another city in Montana, with approximately 10,000 less people than Great Falls or Billings, did better than stations in either of these markets in 1973; but this may be because of the difference in the characteristics of its population. With East Missoula, Missoula had a population of only 39,095.[1] It is, however, the fastest growing city in the state. The area is also much more dependent on industry, especially lumber, rather than agriculture; and it is on the west side of the Rocky Mountains, which is rather hilly and green as opposed to the eastern side which is flatter and has less trees and vegetation. Finally, Missoula has a relatively large state university with an approximate enrollment of 8,500, which is helpful in attracting advertisers. This gave Missoula's four stations total revenues of $933,216 in 1973 with expenses of $829,835 for an income before taxes of $103,381.[2] This income was very consistent with the figure for 1972 of $106,296 as the $79,820 increase in revenues just about equalled the increase in expenses of $82,735.[3] But as mentioned above, Missoula is really not comparable with Great Falls and Billings even though all of them are in the same state.

Since Great Falls has an Air Force base nearby which is basically devoted to Minuteman missiles, it might be worthwhile to compare it with other cities in the area with relatively equal populations and

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[1] World Almanac, p. 172.

[2] "Radio Record in 1973," p. 61.

[3] FCC, 39th Annual Report, p. 265.

Minuteman missile bases. Rapid City, South Dakota, is a good example. Although its population is smaller (43,836), it does have Ellsworth Air Force Base nearby with a population of 6,207.[1] In 1973 Rapid City's four AM stations had total broadcast income of $120,280, with $836,705 in revenues and $716,425 in expenses.[2] This amount increased sizably from 1972 as revenues increased $16,008 more than expenses.[3]

Another example of a city in the area with a missile base is Minot, North Dakota. This city's population is even smaller than Rapid City's with 32,290 people, but their base has 12,077 personnel.[4] And with the four radio stations in Minot, a profit before taxes of $103,513 was earned in 1973, calculated by subtracting $752,811 in expenses from $856,324 in revenues.[5] Compared to Rapid City, Minot's stations showed just the opposite change from 1972 as the expense figures increased by $17,269 more than revenues.[6] But $103,513 is still quite a significant profit figure, especially for a town in North Dakota.

These comparisons with other markets having approximately the same populations and characteristics show that the Great Falls AM stations have a good potential for earning significant incomes. When the profit figures for Great Falls for 1971 and 1972 are examined (Table 5), this becomes even more obvious. General managers at each of the stations

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[1] World Almanac, p. 180.

[2] "Radio Record in 1973," p. 62.

[3] FCC, 39th Annual Report, p. 266.

[4] World Almanac, p. 176.

[5] "Radio Record in 1973," p. 62.

[6] FCC, 39th Annual Report, p. 265.

agree. Jerry Hartline of KUDI says, "There is an excellent future for broadcasting in Great Falls. Professional radio has arrived here .... Every time you get people that are aggressive, you've got to make money."[1] Somewhat less optimistic but far from being pessimistic, KMON General Manager Al Donohue thinks that "Great Falls will maintain its own slow, steady growth, although it will never experience any real dynamic growth."[2] Finally, Frank Anderson of KANR maintains that business in town has increased 23 percent recently: "As long as farmers make good money and Great Falls does not become labor-dominated, the prospects for this area are good."[3]

It has been shown above that Great Falls can support, with at least small profits, four AM radio stations. However, an addition of a fifth station would probably be too much for Great Falls to profitably handle if the same overheads and expenses are maintained. The market already has a significant deficit which will take several years to eliminate; but if another AM station began broadcasting in the area, it is unlikely that the deficit would be erased for many years in the future. At the same time, as long as the three FM stations do not increase their respective overheads substantially, these stations should also be able to bring in some extra income once the stations have become really established within the next several years. If the slow,

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[1]Interview with Hartline.

[2]Interview with Donohue.

[3]Interview with Anderson.

steady growth of the area is maintained with no substantial changes, radio broadcasting by four AM and three FM stations should remain a viable, but not spectacularly profitable, concern in Great Falls for many years to come.

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APPENDIX

SAMPLE QUESTIONNAIRE

(Questions Asked to Station General Managers)

HISTORY:

When did the station go on the air?
What is the power/reach of the station?
Who owned/owns the station?
How many times has the station changed hands?
What was the cost of the station the last time it changed hands?

EQUIPMENT:

What is the worth of equipment?
When was it purchased?
How long will it last?
How is it being depreciated?
What is the value of the station?

PERSONNEL:

How many people work at the station?
What are the positions of each person?
What is the total payroll?
Are the salesmen on commission?
What is the average length of employment?
Where do most go after leaving?
Why?

PROGRAMMING:

How do you obtain your records?
How much is spent on other programming?
What is network news agreement?
What is your agreement with ASCAP, BMI?
What is your wire service agreement?
Do you have any religious programming contracts?
How much effort is spent on contests and other promotions?
What is your involvement in sports? Cost?

SAMPLE QUESTIONNAIRE Continued

ADVERTISING:

Do you subscribe to the NAB Code?
What is your maximum commercial time per hour?
Average time per hour?
How many radios are in your listening area?
Are ratings important?
How many rate differentials do you have?
Cost of commercial minute in each class?
Do you authorize your salesmen to lower rates in certain instances?
How much advertising is local, regional, national?
What are agreements with advertising agencies and national sales representatives?
What was your total amount of advertising in 1973?
Was it up or down from 1972?
Is there any trend?
Do you get any income other than from advertising?

PLANT:

What is the lease agreement on your office and studios?
Where is your transmitter?
Do you consider this space adequate for your needs?

GENERAL:

What do you see in the financial future of your station?
Do you forecast any programming changes?
What do you see of the financial future of radio broadcasting in Great Falls?
What do you see in the economic future of Great Falls and your listening area?
How will this affect your station?

TABLE 8

SAMPLE RATE CARD FOR STATION KXXX - GREAT FALLS, MONTANA[a]

CLASS AA TIMES

6:00 - 9:00 A.M. Noon - 1:00 P.M. 3:00 - 7:00 P.M.

TIMES	30-Second	60-Second
1x	$5.00	$8.50
30x	4.70	8.00
60x	4.35	7.75
150x	4.20	7.55
300x	4.00	7.30
500x	3.75	7.00
1000x	3.50	6.30
1500x	3.00	5.75

CLASS A TIMES

5:00 - 6:00 A.M., 9:00 A.M. - Noon, 1:00 - 3:00 P.M., 7:00 P.M. - Midnight

TIMES	30-Second	60-Second
1x	$4.25	$6.75
30x	4.00	6.40
60x	3.80	6.10
150x	3.55	5.75
300x	3.30	5.35
500x	3.10	5.10
1000x	3.00	4.75
1500x	2.75	4.50

CLASS B TIMES

Midnight - 5:00 A.M.

TIMES	30-Second	60-Second
1x	$3.00	$5.00
30x	2.80	4.75
60x	2.60	4.50
150x	2.40	4.25
300x	2.20	4.00
500x	2.00	3.75
1000x	1.80	3.30
1500x	1.50	3.15

[a]Guaranteed times in any class period require an additional 10 percent.

NOTE: This rate card is comparable, but not identical, to rate cards of actual stations in Great Falls.

TABLE 9

SUMMARIES OF REVENUES AND EXPENSES OF GREAT FALLS AM STATIONS
(UNOFFICIAL FIGURES)

Station	Revenues	Expenses	Income
KMON	$370,000	$325,000	$ 45,000
KEIN	180,000	300,000	(120,000)
KARR	200,000	197,000	3,000
KUDI	150,000	148,000	2,000
TOTAL	$900,000	$970,000	($ 70,000)
TOTAL (Without KEIN's interest expense)	$900,000	$890,000	$ 10,000

SOURCES: Interview with R. Brad Baker, KEIN Radio, Great Falls, Montana, March, 1975; Interview with Al Donohue, KMON Radio, Great Falls, Montana, March, 1975; Interview with Jerry R. Hartline, KUDI Radio, Great Falls, Montana, March, 1975; Interview with Bryan Meyers, KEIN Radio, Great Falls, Montana, April, 1973; Interview with Sell Rapkoch, KARR Radio, Great Falls, Montana, April, 1975.