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COVER STORY

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Mike Henry: Audience Driven Success

By Jack Barton

When Mike Henry and former Surrey Research staffers formed Paragon Research in 1988, radio was the media king. Radio was the best way for businesses to reach customers, the primary way that recording and music careers were built, and the proud owner of a monstrous audience cume, with Paragon providing a lot of those broadcast companies – which over the years has included CBS, Emmis, Bonneville, NPR, MPR, APR and a host of others – the audience and market information they needed to position themselves for success. As the industry changed, so did Henry and Paragon (now called Paragon Media Strategies), expanding their scope and services to include all strategic aspects of being successful in the era of consolidation and downsizing, including the formation of new companies to deal with different issues. Media Mechanics was formed as a multi-platform production and consulting company, launching the JACK-FM format in the U.S. and adding a client list that includes PBS and multiple record labels. The Radio Workout Team was developed as a company to provide a variety of financial services to radio companies during financial restructurings, mergers, acquisitions and consolidation. Through it all, Henry's primary goal for his clients has been to stay focused on their audience and not allowing the distractions of the business to interfere with superior customer service to radio's end user. It is this product-focused approach that keep Henry and Paragon actively successful at the end of 2009, another year when the industry has seen rapid changes on all fronts.



Mike Henry

Paragon has been around for over twenty years. How has the industry, your services and your approach to the business changed over that time?

Well, the only way we've been able to really survive is to continue to morph our business to the industry's needs. That changes dramatically, not even year-to-year anymore, but quarter-to-quarter and month-to-month. So we're very fluid. Our focus is towards operators who want to run stations, not buy and sell them and those folks who want to focus on the listener first. We look for clients, and clients who look for us, to meet that type of criteria because there's no reason to work in situations that don't have a positive outcome. I'm a strong believer that the only single path you can take for a positive outcome for radio is to stay focused on the listener. Twenty, thirty years ago when I started in radio, that meant one thing. Today it means something completely different. But the principle is the same.

Expand on that a little bit.

Thirty-years ago it meant filling some very big holes. It was the end of the AM dominant era and there were great opportunities for FMs. Twenty-years ago, it was less of an opportunity to fill huge holes, but certainly a lot of niche-type of programming opportunities presented themselves as the big hole started getting filled up. That led to 1999 and we started seeing the opportunities of digital content and delivery, and direct relationship marketing really picked up speed with the advent of digital technology. In 2009, it means serving that listener wherever they are, however they want it. It's no longer a focus simply on a radio station and the speakers that signal comes out of. It's an all encompassing approach based on all the opportunities that are now out there for radio.

Some of the old tenets of radio are going to come back stronger than ever; as an example, live events and promotions. There are some broadcasters, such as **Ed Levine** in Albany at **Galaxy Broadcasting**, leading the way and showing radio that radio is a great promotional tool, and one of the things we can do best is drive people to events. He's found a way to make money off of that and others will follow.

The digital opportunities that are out there are still, to some degree, a lot of "vapor" revenue and we're all still trying to figure out how to really make money off of the transition of audiences to digital platforms. The challenge is that much of the activity and usage has moved, but the business model didn't, and that's why I'm focused on the new radio model and what that means for 2010 and beyond.

At one time there was great competition between radio and all other media. How has the relationship between radio and

other media evolved?

There's a saying about how adversity tends to make invisible walls come down. One thing that is quite common now, particularly this year and last year with the slashing of marketing budgets, is a lot of partnerships with other media, and smartly so. Other media have come to the same conclusion that it's probably better to join forces in some cases than to stay it alone and try to be the winner. So we're seeing a lot of media partnerships that never existed before, or were very difficult to force before. In smaller markets you're seeing a defined movement towards the recombination of media, where it may be the only way some media will be able to exist is if they are co-owned or in heavy partnership with the local newspaper, the local TV station, etc. If I'm right, the FCC is going to realize that a lot of the cross ownership rules are thwarting the development of media.

Let's go back to audience driven strategies. How does that differ from what you see a lot of other companies do? How does it serve the internal goals of the clients you serve?

It really is a fork in the road. An operator is either focused on the audience or it's not. So there's a very hard fork there that all operators must take, and it's very obvious which fork they do take. It's pretty clear, looking at the landscape of radio groups today, which have focused on audience and which have not. It's also pretty clear that those who have not are in deep trouble. Unfortunately, they brought this on themselves by not remaining focused on the audience, by not evolving the digital offerings and the multiple platforms that listeners are now almost universally using. It's almost criminal, the degree to which many radio companies have allowed other media to come in and take positions that should have been radio's and are rightfully radio's. And the irony is that my research shows that much of the audience still expects radio to do that, so it's not too late.

Can you speak a little more specifically to some initiatives you've advised stations to take up?

Just driving ratings to drive revenue, the one-two punch of the business model, has seen some heavy hits in the last couple of decades and many groups allow the listener to go to the back seat, and in some cases out of the car altogether while the advertisers and the stock holders moved into the front seat. That was a recipe for disaster. Now we're seeing the results of that. It's going to be interesting to see how radio rebuilds itself. I'm very bullish on radio, not blindly and not ignorant of the mistakes that have been made, but because I have the wonderful advantage of seeing radio through the eyes of the audience. I see them still expecting radio to do many of these things which radio can still do. It's not too late.

There are a lot of wonderful tools that have developed on the digital side from folks like **Triton** and others. My daughter, who is 19, said to me recently, "Why doesn't every radio station have Pandora on their Web site?" Now it's kind of an out-of-left field layman's question, and obviously there might be some real reasons why that is, but the notion is sound. Why didn't radio put itself between its audience and its audience's desire to build its own playlist? Triton has a tool to do that. It's very much like Pandora, but it's made for radio stations and probably, to this day, most radio companies still don't know those types of tools exist and are waiting for them. That's just one example of the outside view of radio which seems so obvious, versus the inside view of radio which is clouded by a lot of distractions that have nothing to do with the audience and what the audience is doing to find News, Talk and music programming.

Do you think some of what has kept radio from following that is the old sense we were just talking about of you don't want to focus any attention on competing media?

It is. I have some very good friends and long term clients that still believe they should never do anything to send their listener away from their radio station. And I believe that is archaic. They're going to be leaving anyway. Nobody stays with a radio station all day long. So if they're going to go online and listen to music, if they're going to go online to listen to a different stream that may not be your format exactly but close, if they're going to go online to talk to people who like the same type of music and lifestyle that the radio station provides, then why shouldn't the radio station be providing the ramps to do that?

You didn't ask this question but I believe the inevitable must happen and that is that new people with brand new ideas, not locked in by radio's history, will come into the industry and do great things. I truly believe that. These are valuable properties. These are signals that cover a certain part of the geography. The Internet can't do that as a whole. Sure there are ways to target the Internet, but as a whole the Internet is a world-wide media. Radio is a very local media, so the opportunity to be *local* is what will save those radio stations that decide to save themselves. Those that don't have an investment in local content, community or listener engagement will soon find themselves in a bucket with a lot of generic media that will be hard to survive. A lot of radio people don't like to hear this, but there's going to have to be a bit of a house cleaning in this industry for it to move on.

You're talking about being focused locally, but a lot of radio stations have taken the approach that in a global world, they should reflect the universe rather than the neighborhood. How do you reconcile the two approaches?

A lot of radio folks are drawn to that magic silver bullet that's going to solve everything, and that doesn't exist. It's easy to get distracted by the potential of the Internet and digital content delivery, but the reality is that as a radio station you're serving a local area. If you don't believe that mobilizing the local audience is important on a global scale then you may not have noticed how **Obama** got elected. It was an extremely hyper-local approach. I don't want to lean too much on the political analogy, but it really is somewhat of a model for a lot of different media to understand.

If you don't think radio is a local medium, then it's not going to be. People get what they want, and if they don't want radio to be local then your radio station's not going to be local. If you do understand the value of that and you want it to be local, then it will be. This is one of the easiest businesses in the world. I sometimes feel embarrassed that this is what I do for a living, because it is so easy to do the right thing. But it seems like there are so many obstacles and distractions. If you focus on the audience and do the right thing, the chips will fall into place. Get the biggest audience you can and leverage that through your advertising. Plus today, with the digital and live event and multi-platform revenue opportunities that exist, it's time for radio stations to completely reshape their business model.

So with that in mind how do you respond to the client who says, "But Mike, I have no budget. I have no staff. I'm

running on – at best – 60 percent of what I had five or six years ago. How can I possibly be local? What do I

do?” Fortunately there’s a lot of ground plowed ahead of people like that at this point. Even in market Number One, all the way down to unrated markets, marketing has become very viral, very straight and very partnership driven. It’s invigorating to really go through that process. I remember when this really started, and radio really did see the bottom coming well before the rest of the economy, it was like taking a leg off of a three-legged stool, and you see how we’ve tumbled.

It’s absolutely critical that a radio station maintain a high profile. You are a radio station. You are a promotional device. As a matter of fact, as time marches on all traditional media will become more and more promotional devices, and less and less the end-all and be-all of the content. Those things are going to be moving into many other different platforms.

I would urge any station in any market to investigate media partnerships and invent partnerships. Madison Square Garden is now playing ball with radio stations as it relates to certain fees that they used to charge that made it very difficult. If that’s happening in market Number One, I can promise you it’s happening in Paducah, Kentucky. People are willing to negotiate now. Everybody’s in the same boat and everyone has the same goal, which is to get to the other side. So viral marketing, social networking, street level marketing and using bands to market a radio station are all just part of the new tool box, and that’s part of the new radio model.

With the business structure of both the radio and music industries changing dramatically almost by the minute, what do you see as the future of the media?

Why don’t you ask something easier, like the future of the planet? I don’t think anyone knows exactly where all this is going, but I’d put my chips on several trends. First of all, the days of “radio and records” are over. Each industry must stand on its own and become stronger individual industries before one can help the other again.

The grand age of advertising is over and a new age of enlightened marketing has begun.

Mass media outlets will transform into mass marketing outlets, pushing audiences to pure content platforms where relationships can be formed and leveraged.

The slaying of media gatekeepers allows the artists and their consumers and fans to interact more directly. I’m extremely bullish on the business opportunities of self-motivated artists and the creative types.

Some local media outlets will have to reconnect to survive. I’m talking about a re-combining of radio, TV, print, Internet media, promoters, event companies, etc. as multiplatform marketing vehicles.

Radio stations will be used for purposes never considered before. With station prices down to historical lows, new owners with different resources and motivations will enter the scene and expand the way we look at radio programming.

***eQB Content by Jack Barton**



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