

## Federated Media Case Study – October 2011

### Summary

Federated Media implemented Abacast's Digital Ad Sales Program and the Abacast Clarity™ Digital Radio System for their streaming solution in mid-2011. They held a digital "one day sale" in September 2011, resulting in the sale of over 50% of their yearly digital inventory, generating an annual gross profit margin on streaming of 83% counting all streaming and royalty fees, and achieving significant profitability in streaming for the entire year.

*"Abacast's Digital Sales Program provides real value to advertisers and can be efficiently sold by our Account Executives. The Clarity™ Digital Radio System makes it easy to traffic our campaigns and provides our advertisers with the reports they need. We became profitable on a yearly basis within three months of using this solution."*

*James Derby, Chief Strategy Officer*

### Background

Federated Media (Federated) is a privately held company whose holdings include 15 radio stations in the Fort Wayne, South Bend, Warsaw, Auburn, and Goshen markets in Indiana. Station music formats include rock, adult contemporary, and country; news/talk formats include two ESPN sports talk affiliates.



Federated had a desire to generate revenue and profits from their online streaming, but did not have a digital sales strategy or the online ad trafficking tools in place. Wanting to be profitable in streaming "out of the gate", Federated began researching digital ad sales strategies and tools that would provide real value for their advertisers and would be efficient for their Account Executives (AE's) to sell.

### Challenge

Federated faced a number of challenges in implementing its streaming radio solution and becoming profitable in streaming.

As of early 2011, Federated had not found or developed a solid strategy for local streaming ad sales. Federated strongly believed that local ad sales was a key to being profitable with streaming. However, they were concerned that they would need to sell the digital inventory on a per-station, per listener basis; something they didn't think would be successful.

Federated was also concerned about cannibalizing their broadcast revenue. "We didn't want to just trade broadcast dollars for digital," said James Derby, Chief Strategy Officer at Federated.

Lastly, their digital infrastructure did not support large scale streaming or digital ad trafficking functionality. Not all stations had a dedicated computer for streaming, and they were not covering their broadcast stream with local digital spots.

### Solution

Federated Media chose the Abacast Digital Sales Program for their digital sales strategy and the Abacast Clarity™ Digital Radio System as its streaming and ad management solution.



The Abacast Digital Sales Program provides three key elements:

- Digital sales training for managers and AE's, conducted by Abacast digital sales experts.
- Station-brandable sales tools that outline the value propositions of in-stream advertising, the growth of digital audiences and importance of online to target demographics.
- A "share of voice" advertising product that spans multiple stations and provides premier exposure for advertisers to digital audiences in a bundled, cost effective package.

The Abacast Clarity™ Digital Radio System provides a complete solution for online radio streaming and includes the following services:

- Scalable, reliable online streaming
- Ad insertion, campaign management and ad trafficking
- Audience analytics which adhere to Arbitron guidelines
- SoundExchange-compliant royalty reports
- Listener Player including social networking and other interactive features



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A key component of the solution is the Abacast Clarity™ Ad Insertion System. Clarity™ directly supports the Abacast Digital Sales Program, simplifying the trafficking, administration, and reporting of locally sold ad campaigns.

*"We signed many new customers that were excited about digital and wanted to jump in with our digital package."*

### Execution

With Federated Media's digital audience up four times what it was a year ago through promotion of their online stream and mobile apps, the time was right to launch their streaming ad sales program.

The Federated digital team presented the Abacast's Digital Sales Program to the Market GM's. The GM's committed to the program because they understood the advertiser value and efficient sale of the product. Over a two month period, Federated implemented the streaming and ad trafficking system, finalized their share of voice ad package details and pricing, and conducted the Abacast digital sales training for the General Sales Managers and AE's.

*The AE's were excited at having the opportunity to sell digital because it was "radio" which they were comfortable with, it targeted mainly the at-work and mobile listener, and because digital audiences are "P1's", our most loyal and active listeners, an audience that advertisers really wanted to be exposed to."*

*-Deb Williams, Digital Sales Development Coordinator*

Starting approximately a month before the digital "one day sale", the AE's started pre-sales presentations to prospective customers, outlining the digital advertising program and the opportunity to buy all of the stations. During the "one day sale" the AE's were able to present the complete digital ad program, costs, and commitment levels, and close business.

### Results

At the end of Federated's digital "one-day sale" they had sold 95 out of their 160 total annual packages. This made Federated Media profitable in streaming for the year. Their annual gross profit margin on digital streaming is 83%, after taking into account the Abacast Clarity™ Digital Radio System costs, bandwidth costs, and SoundExchange royalty fees. This result was achieved in approximately a three month period, from beginning of the planning stage through the one-day sale.

*"Federated's "one-day digital sale" resulted in streaming profitability for the entire year, with an annual gross profit margin of 83%, covering all streaming and SoundExchange fees."*

*-James Derby, Chief Strategy Officer*

Most importantly, Federated feels that they didn't just trade broadcast dollars for digital dollars. "We signed many new customers that were excited about digital and wanted to jump in with our digital package," said James Derby. "We had others that were on one station only and wanted to be on all of our stations via this package. We had others still that couldn't afford our broadcast packages, but still wanted to be affiliated with the station brand."

Federated has realized other benefits in addition to being profitable in streaming. Managers and AE's are now excited, skilled sellers of digital, resulting in increased the revenue across all their digital products. The digital audience continues to grow through the promotion of digital on their broadcasts.

### Looking Forward

James Derby, Chief Strategy Officer, says that they will definitely continue with the Abacast Digital Sales program and add some additional features. They are considering selling it on individual stations instead of in the multi-station package and offering additional packages by format and with finer-grained day-parting. In addition, Federated plans on implementing Abacast's Ad Sales Network to sell unsold Federated inventory to national advertisers, which will result in additional revenue for Federated.

*"We are motivated to have the industry as a whole be successful in digital, and we are happy to share our success story with Abacast. People can reach out to me with any questions they have regarding the Federated Media streaming program."*

*-James Derby, Chief Strategy Officer.*

### More Information

For more information on how the Abacast Digital Sales Program and Abacast Clarity™ Digital Radio System can help your station group be profitable, contact Abacast at [info@abacast.com](mailto:info@abacast.com) or 360-326-4798.