

2-18-2015

Cumulus Media, Inc. Strategic Analysis

Barry Y. Zoll

Johnson & Wales University - Providence, BZoll01@wildcats.jwu.edu

Follow this and additional works at: https://scholarsarchive.jwu.edu/mba_student



Part of the [Business Commons](#)

Repository Citation

Zoll, Barry Y., "Cumulus Media, Inc. Strategic Analysis" (2015). *MBA Student Scholarship*. 39.
https://scholarsarchive.jwu.edu/mba_student/39

This Research Paper is brought to you for free and open access by the Graduate Studies at ScholarsArchive@JWU. It has been accepted for inclusion in MBA Student Scholarship by an authorized administrator of ScholarsArchive@JWU. For more information, please contact jcastel@jwu.edu.



JOHNSON & WALES
UNIVERSITY

Cumulus Media, Inc.

Strategic Analysis

Submitted in Partial Fulfillment

of the Requirements for the MBA Degree

MGT 6800

Dr. Paul Boyd

Barry Y. Zoll

February 18, 2015

Contents

Executive Summary	4
Background Information on Cumulus	5
Brief History	5
External Analysis.....	9
Brief History of the Industry.....	9
Industry Analysis.....	10
PESTEL Analysis.....	10
Political Factors.....	11
Economic Factors	11
Sociocultural Forces	13
Technological Factors.....	14
Environmental Forces	15
Five Forces Analysis	17
Barriers to Entry - Strong	18
Bargaining Power of Suppliers –Strong	19
Bargaining Power of Buyers - Moderate	19
Threats of Substitutes - Moderate.....	20
Collective Strength of the Five Forces	21
Factors Driving Industry Change.....	22
Industry Competitive Analysis	24
Industry Competitors.....	24
Position of Rivals in the Market.....	28
Value Proposition	29
Strategic Moves Rivals Will Likely Make	30
Industry’s Key Success Factors	31
Industry Outlook	32
Summary of External Analysis	33
Internal Analysis	33
Organizational Analysis.....	33
Corporate Vision and Mission	34

Leadership	34
Culture, Social Responsibility, and Structure	35
Summary of Organizational Analysis	36
Analysis of the Company's Resources	36
Physical - Strong.....	37
Financial - Moderate	37
Technological Assets – Strong.....	38
Organizational Resources - Strong	38
Intangible Resources - Strong.....	38
Human Assets and Intellectual Capital - Strong.....	39
Brands, Company Image, and Reputation - Strong	39
Relationships - Strong.....	40
Company Culture and Incentive System - Weak.....	41
Capabilities - Strong.....	41
Core Competencies and Sustainable Advantages - Strong	42
Distinctive Competence - Strong.....	43
Summary of Resources	43
Analysis of Objectives	44
Evaluation of Financial Performance.....	45
Financial Condition Analysis and Summary.....	45
Crafting a Strategy	47
Criteria Test.....	48
Focus on unique brands	49
Further Leverage Operating Efficiencies.....	49
Use experience to provide consistent operations.....	50
Refine their large-scale operations to achieve efficiencies.	50
Operate in a fiscally responsible manner.	50
Making acquisitions that are sensible	50
Value Chain Analysis	51
SWOT Analysis	54
SWOT Analysis	55

Strengths (Internal)	56
Weaknesses (Internal)	57
Opportunities (External)	58
Threats (External)	59
Strategic Fit Analysis	60
TOWS Analysis	64
Alternatives	64
Alternative 1 (SO)	64
Alternative 2 (SO)	64
Alternative 3 (WO)	64
Alternative 4 (ST)	65
Alternative 4 (WO) and (WT) -	65
Alternative 5 (ST) and (WT)	65
Recommendations	65
Recommendation number 1	65
Recommendation number 2	66
References	69

Executive Summary

The purpose of this paper is to conduct a strategic analysis of the broadcast radio industry with a focus on Cumulus Media, Inc. This analysis will outline a brief history of Cumulus and a timeline of major events in its history, along with an explanation of the company's purpose. Then, the external environment will be analyzed and the potential effects on Cumulus. Using Dr. Michael Porter's Five Forces Analysis, an assessment will be made of the threat of entrants, the factors affecting the power of buyers and sellers, the threat of substitutes of broadcast radio, and trends in the industry. The paper will then look at competitiveness within the industry including anticipation of what Cumulus' competitors might do from a strategic perspective, a brief summary of industry competition and a look at industry key success factors. Once the external analysis is complete, the paper will look inward and take a close look at of Cumulus Medias' resources, objectives and financial performance. The strategies employed by a company are vital to their future and must be flexible enough to change thus the paper will analyze the company's strengths, weaknesses, opportunities, and threats. Cumulus operates in an industry that continues to move rapidly towards consolidation and the results of the research will show what constitutes a good strategic fit as well as a list of alternatives for positioning Cumulus for the future and a list of recommendations.

Background Information on Cumulus

Brief History

Cumulus Media (NYSE:CMLS) is a radio broadcasting company with the second largest portfolio of radio stations in the United States. From their headquarters in Atlanta, Georgia, they operate two distinct media groups. One, is Cumulus Radio, which operates over 500 broadcast radio stations located in 110 US cities. Their other business called Cumulus Media, which provides content to over 4,500 radio stations and facilitates and syndication of well-known talk show programming hosted by such notables as Mike Huckabee, former Governor of Arkansas and Mark Levin (Cumulus Media Networks, 2015). In addition to their presence in terrestrial broadcasting and in another step towards fulfilling their goal of increasing their number of listeners and being accessible via streaming, Cumulus created an alliance with iHEART radio to carry their programming on iHEART's digital platform so that anyone with a computer, smartphone, or other device capable of accessing the internet, could listen to Cumulus stations (iHEART Media Inc. 2011).

Cumulus Media was created as a result of the changes in the 1996 Telecommunications act which removed the limit of the number of radio stations owned by one entity (FCC. 2015). The company's founders were Lewis W. Dickey, Jr. a consultant and author for the radio and television broadcast industries and CEO of Midwestern Broadcasting, Inc., and Richard Weening, who was the CEO of Quaestus, which was an equity investment and advisory firm located in Milwaukee, WI. Using his experience in the areas of publishing, radio broadcasting, and other eCommerce businesses, Weening was able to secure investors from the banking and life insurance

industry as well as one institutional investor, the State of Wisconsin Investment Board. On May 27, 1997, operations began with Weening as CEO and Dickey as Vice Chairman (Cumulus Company History, 2015).

As part of their offensive growth strategy, Cumulus went public in June of 1998, and during their IPO, they raised over \$390 million of which approximately 70 percent was used to conclude the purchase of several acquisitions as well as reducing company debt. Their initial purchases included 167 broadcast stations that were in a series of broadcasting groups located in every area of the country except for the West Coast. During subsequent years, they strategically acquired stations in markets where they lacked presence or saw an opportunity to have one. By the beginning of 1999, they owned 232 stations in 44 distinct markets which positioned them as the number three owner of broadcast radio stations in the country. However, their unabated growth resulted in financial problems during 2000.

During the first quarter of 2000, Cumulus' stock price tumbled resulting from the results of a recent audit. Earnings for the previous year had to be restated and shareholders filed lawsuits contending that the loss of stock value was not strictly from poor business conditions as was previously thought. As a strategy to bring confidence back to their stockholders and Wall Street, Vice Chairman Dickey was appointed President of Cumulus and the company's CFO was dismissed. In addition, they fired their accounting firm Price Waterhouse and replaced them with KPMG. They also hired Martin Gausvik, whose experience with finance in the communications industry was badly needed. By the middle of that year, the company had restructured some pending purchases and named President Dickey as CEO and his brother John as Executive

Vice President. The three years of rapid growth had leveled off and despite the loss of stockholder value, the company's mounting debt, and the consolidation of operations that resulted in hundreds of layoffs, their portfolio of radio stations were regarded as highly valuable and the company was ready to move forward (Cumulus Company History, 2015.).

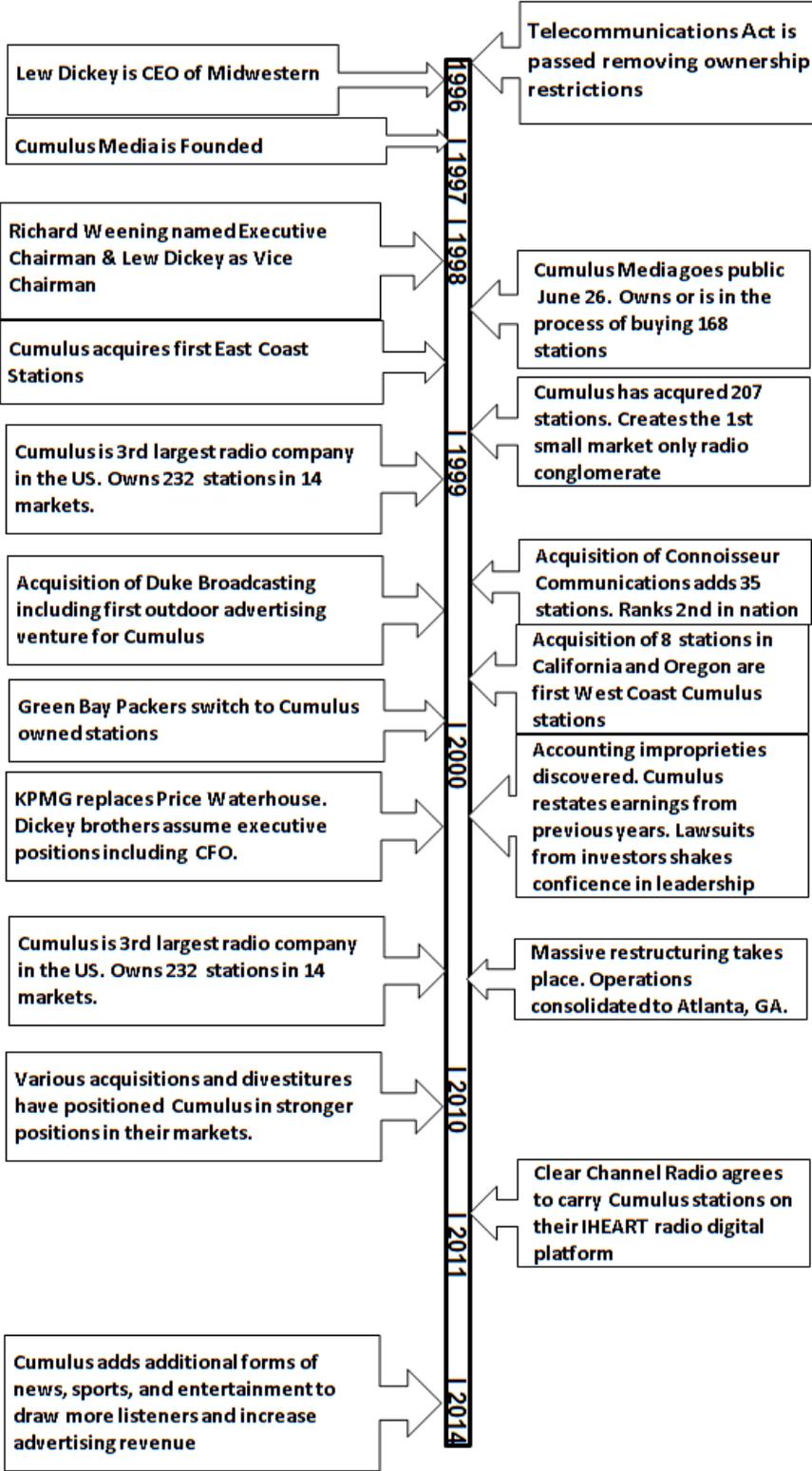


Figure 1. Timeline of Important Events

External Analysis

Brief History of the Industry

This paper analyzes the external environment of the radio broadcast industry and begins with a brief historical overview of the industry's development.

Commercial radio broadcasting traces its roots back to the late 1800s when Mr. Guglielmo Marconi successfully made the first trans-Atlantic radio transmission between England and North America. In 1906, a Canadian inventor named Reginald Fessenden developed holiday programming for ships sailing off of the Atlantic Coast which ushered in the era of public radio broadcasting. This experimentation led to the official licensing of radio stations in 1922. In these early days of broadcast radio, many people were concerned that the electromagnetic waves generated by radio transmitters would cause children to become ill or livestock to produce less, concerns that could be dispelled by current scientific knowledge (Ruben, 2010). Yet, despite these concerns, the number of radio stations began to grow.

These early commercial radio stations were owned by various entities such as private businesses, schools, churches, and radio clubs, but many struggled to achieve profitability. Stations owned by radio manufacturers used their on-air time to attract a customer base who would buy their equipment, while others derived their revenue from advertising sales. For many stations, widespread profitability didn't occur until the end of World War II. Corporations such as NBC, CBS, and ABC began to dominate the broadcast radio industry and produced programming and sold advertising on a national basis which gave them an economy of scale. This in turn, supported the growth of local radio stations. Two emerging strategies influenced the proliferation of AM radio: 1) the

automobile industry began equipping cars with AM radios, and 2) the invention of the transistor that brought the price of radios within the reach of most Americans (Stromberg, 2011). Radio quickly became the main source of news and entertainment (Scott, N.D).

Commercial broadcast radio has evolved through many economic cycles and external influences. This paper will use PESTEL, Five Forces Analysis, and other tools to provide a summary of the external analysis of the broadcast radio industry.

Industry Analysis

Today's broadcast radio industry is comprised of 15,358 terrestrial AM & FM stations ("FCC News", January, 2014), as well as Sirius / XM which is a satellite provider. According to research conducted by Houston-Santhanam, Mitchell, & Rosenstiel (2012), broadcast radio has maintained a level listenership during the past 10 years. Using advertising revenue as metric, terrestrial stations continue to dominate the radio listening market, with satellite remaining flat, and streaming growing slowly. Nielsen company's research shows that over 90 percent of every age group listens to broadcast radio at least 2.5 hours per day. For advertisers, it offers a differentiation from other media because many consumers are listening to broadcast radio just prior to arriving at a shopping destination ("State of media: audio today," 2014).

PESTEL Analysis

This section of the industry analysis will address macro environmental factors such as political, economic, sociocultural forces, technological, environmental, and Legal/regulatory.

Political Factors

The Federal Communications Commission (FCC) is an agency of the US government that oversees all types of communication including broadcast radio. The FCC's stated purpose is to act as a regulatory body for ensuring the orderly use of different media, licensure, and frequency and transmitter power assignments. The FCC is also responsible for integrating and acting as a steward of new technologies and other innovations and to educate its citizenry. The FCC is comprised of five commissioners, all of whom are appointed by the President and one is selected as chairperson (FCC, 2014).

With the passing of the Telecommunications Act of 1996, the license renewal process was significantly altered. It allowed stations to devote less time to public service broadcasts that traditionally drew fewer listeners and in its place, the station could put alternate programming that would generate more advertising revenue. In the interest of fairness, the Act also provided for a lottery system for new frequencies vs. the prior system that had the potential for subjective favoring of one applicant over another (Marc, 2000). Another provision of the act allowed for the formation of conglomerates such as Cumulus Media, by removing the limit of the total number of radio stations that one entity could own. However, there was no removal of the limit placed on the number of stations that could be owned in a particular market. ("FCC What We Do," 2014).

Economic Factors

There are several stakeholder groups in broadcast radio affected by factors in the economy: radio listeners, station owners, advertisers, and station personnel as well

as the companies who provide the facilities and equipment necessary to produce shows and transmit signals.

Other media such as newspapers, television, podcasts, and internet streaming, broadcast radio equipment is the most affordable of all. For as little as \$12, a consumer can purchase a Sony ICF-S10MK2 portable radio ("Sony ICF-S10MK2," 2014) and the only additional cost is the occasional replacement of batteries vs. the monthly cost to subscribe to the Arizona Republic for \$6.12 per week ("The Arizona Republic Subscriptions," 2014). And although News and Talk Radio podcasts are available from iTunes, free of charge, the minimum cost of purchasing an Apple device capable of downloading podcasts, without the need of a computer, is approximately \$199 ("iPod Touch," 2014). The user must also have access to the internet which is a service can either be purchased for a monthly fee of over \$60 (Dang, 2013). If television is the consumer's media device of choice, the cost of a basic television is approximately \$90 ("Polaroid 19GSR3000," 2014) and if the consumer elects to subscribe to a cable or satellite service, the cost of a monthly subscription starts at approximately \$20 per month ("Digital Cable & TV plans," 2015).

In an address given by FCC Commissioner Gloria Tristani , which was shortly after the passing of the 1996 Telecommunications act, she explained there were many benefits of consolidation to local communities. Some of these benefits include the continued existence of local stations now owned by large broadcast groups, by taking advantage of their economies of scale and reducing their cost of operations. Considering the format diversity of these larger organizations, they could experiment with bringing programming to local communities that would otherwise be cost

prohibitive. Consolidation also gave advertisers a more efficient process for buying time from one entity vs. negotiating with individual stations (Tristani, 1998). The downside of consolidation, in addition to the effects of having local news stories for one market produced in another, is the estimated loss of thousands of jobs at local radio stations (Boyle & Wexler, 2005).

Sociocultural Forces

Broadcast radio is frequently listened to in an automobile however there are several lifestyle changes in the US that have impacted the amount of time people are spending in a car.

According to the 2013 US Department of Transportation report on the status of the nation's highways, bridges, and transit, between 2001 and 2009, the average number of miles driven per day declined by 10 percent and the number of daily trips declined by 7 percent. The report also stated that Baby Boomers, those who were born between 1946 – 1964, are now approaching their retirement years and will be driving less frequently while Millennials, those who were born between 1982 – 2000, drive less frequently for reasons such as their migration from suburbia to urban settings. This results in more use of public transportation and the declining need to own a car. Millennials also face the challenge of finding good paying jobs which also reduces their need to drive (“2013 Status of the Nation's Highways,” 2013).

The United States continues to welcome new citizens from around the world and there are cultural and language issues that can affect radio programming. According to the 2010 US Census report, the Hispanic population has increased by 46.3 percent since 1990 and is the youngest ethnic group. With the majority of them being US born,

they are bilingual so this presents a challenge for broadcasters because the Hispanic audience is comprised of those who are older and only speak Spanish and the younger generation who speak both Spanish and English but may prefer English (Guskin & Mitchell, 2011). There are currently 816 US radio stations whose format is Spanish ("Spanish Speaking Radio Stations," 2014). This impacts station owners to have a diverse workforce so that programming and advertising are properly representing the local demographic.

During the 1970s, a migration took place with music stations moving from AM to FM to take advantage of the superior sound quality and reach of FM signals. The AM band continued with formats that were primarily news, talk, and sports. Now, AM stations are simulcasting their AM programming on an FM frequency. Among the reasons for doing this is an attempt to capture more of the younger generation who grew up listening to music on FM and rarely listened to an AM station (Diaz, 2013).

Technological Factors

The proliferation of electronic technology has been a boon to the broadcast radio industry. Many radio stations carry sporting events and conduct remote broadcasts in their communities. When a remote broadcast is held within a short distance to the radio station, a microwave transmitter will send the broadcast back to the radio station for re-transmission (Younger, 2012). Sound quality was greatly improved unlike the era where these broadcasts were sent via telephone lines. When long distance signal transmission is necessary, the internet has enabled radio broadcasters to use technology such as Skype to send audio back to the studio ("More about Skype TX," 2014). Social Media sites such as Facebook allow correspondents to post videos and

reports to their Facebook page and these items can be extracted for use on the air. For stations with a music format, the invention of the iPod and other MP3 devices has replaced file cabinets filled with records and studios crammed with turntables. Increased reliability, improved sound quality, as well as access to millions of titles have enabled stations to provide more diverse content. This technology has also enabled the use of podcasts and ushered in an era where programs can be produced from a remote site and sent via the internet for rebroadcast at a later date ("Making a Podcast," 2014). The internet and satellite transmissions also facilitated the growth of syndicated programming such as talk radio, business and weather reports creating an economy of scale that reduced individual station payrolls and simultaneously removed some of the local content. This topic will be discussed further in a later section.

Environmental Forces

Commercial radio broadcasting began in Pittsburgh, PA through experimentation by an amateur radio operator who began playing music for his listeners. This caught the attention of a Pittsburgh company by the name of Westinghouse, a manufacturer of radio receivers. On October 27, 1920, the US government granted the first commercial broadcasting call sign KDKA to the Westinghouse corporation ("KDKA the first commercial radio station," 2013). Since then, broadcast radio has played a pivotal role in all facets of American life including the support of our communities during times of environmental events such as earthquakes, hurricanes, snow storms, and other natural disasters. When a catastrophic event takes place, stations will often suspend normal programming and eliminate advertising commitments to provide continuous coverage of the environmental event. During the aftermath of Hurricane Katrina in 2005, FEMA

distributed food, water, and battery powered AM radios to residents of Hancock County, MS. Days prior to the arrival of the hurricane, station personnel set up a remote broadcast site on higher ground and received a waiver from the FCC to broadcast their signal at a higher power. Once the storm passed, WQRZ provided 24 hour coverage including information about relief efforts, shelters, locations of food drop sites, and other information to assist the victims of this storm (Pappentick, n.d.).

Broadcast radio stations require very tall radio towers to enable them to transmit their signals over long distances. These antennas emit what is called radio frequency energy or RF and there have been concerns about the environmental and health impacts that result from RF exposure. In 1969, the US government enacted legislation that required the FCC to establish a process to evaluate the effects of RF emissions from transmitters that belonged to licensed operators. In 2013, this issue was reviewed and the FCC was asked to revise their RF exposure limits based on changes in technology and more awareness since the 1969 legislation was put in place. They determined that their guidelines provided adequate public safety and welcomed further comments from professionals in this field (“Radio Frequency Safety,” 2013).

When a broadcaster applies for a permit to erect a tower, there is a comment period during which anyone who objects to the permit request has an opportunity to provide feedback. In some cases, the Federal Aviation Administration (“Potential Flight Hazards,” 2014) may object due to the flight path that the tower may interfere with. However, the majority of the objections come from citizens who are concerned about the appearance of the tower or RF emissions. One recent example occurred in February, 2014 with an objection filed by a resident of Point Roberts, Washington.

Radio station KRPI, applied for a permit to erect a tower at a height between 145 and 150 feet. The FCC license for the station included an approval to erect the tower despite the town ordinance that required a variance for the height necessary to reach the assigned listening area. Ultimately, the Town prevailed and the request from KRPI was denied (“Whatcom County,” 2014). As of December 24, 2014, KRPI is appealing the ruling and the residents of Point Roberts, Washington are raising money for a defense fund (“No Radio Towers,” 2014).

Five Forces Analysis

The Five Forces Analysis was developed by Dr. Michael Porter and measures industry factors of rivalry, barriers to entry, bargaining powers of suppliers and buyers, as well as threats of substitutes.

Rivals within the industry – Strong / Moderate

In the terrestrial broadcast radio industry, Clear Channel Communications, which is a division of iHEART Media is the largest owner with 835 terrestrial stations (iHEART Media Inc., 2014) followed by Cumulus Media which according to Businesswire.com, (2011) has 570 terrestrial stations. Clear Channel represents a strong rival due to the control it has over the Cumulus digital platform and through the influence it has resulting from the larger number of stations. Other smaller competitors include Salem Communications, CBS, Cox Radio, and numerous stations owned individually and by smaller groups. From a macro perspective, these competitors have a moderate influence because they don’t have the financial and content capabilities that their larger competitors do. Looking at the industry from a micro view, the influence of smaller rivals is greater because their relatively smaller size and lack of large corporate control

could allow them to operate with more local content. Later in this analysis, research will be shown that radio station WTMA, located in Charleston, South Carolina only devotes 4 hours per day to local programming and they are a Cumulus station (WTMA Weekly program schedule, 2014). Compare this to WSB, a Cox station located in Atlanta, Georgia that dedicates at least 13.5 hours per day with local programming (WSB program schedule, 2015).

Barriers to Entry - Strong

The terrestrial broadcast radio industry has many barriers to entry. The first barrier is obtaining a license to broadcast from the FCC. The demand for new radio station licenses has significantly increased and the supply of station positions or frequencies is static, as of December 26, 2014, the FCC is not accepting any new license applications so a potential entrant would have to purchase a currently operating station ("How to apply for a Radio," 2014). There is also a permit required to erect a tower that is the appropriate height based on the frequency assigned by the FCC, gaining public support can cause a lengthy and costly delays ("Whatcom County," 2014). Whether a new entrant is purchasing an existing station or starting a new one, they must have sufficient financial backing either through loans or other sources, both of which erected significant barrier of entry. The FCC does not keep a database showing purchase and sale transactions (FCC, 2014) however in 2014, Emmis Communications announced the acquisition of WBLS-FM & WLIB-AM in New York City for \$131 million (Emmis, 2014) vs. the sale of a small Vermont station with a current asking price of \$250,000 dollars ("Vermont AM Value Priced," 2015).

Bargaining Power of Suppliers –Strong

Suppliers, depending on what they are selling, have a varied amount of bargaining power with radio station owners. The supplier may have a strong advantage with smaller stations and face fierce competition when selling to larger organizations such as Cumulus. As an example, if Cumulus chooses one supplier for their national news, then the competition to win this business would likely result in a lower price per station than a single station operator would be able to negotiate. Conversely, the sole supplier of music from a particular artist or an agent for a popular talk show host would hold an advantage because the stations have no alternative to obtain the rights to use the particular music or carry the highly desired talk show from any other source.

Sean Hannity is a popular talk show host whose show is carried by Cumulus stations. Estimates have been made that his listening audience is approximately 13 million per week ranking him second in the nation. If Hannity decided not to renew his contract, this would force Cumulus to offer more money, possibly a more desirable time slot for the show, or replace him which would be a large financial expense and would take time to recover the lost listenership that would likely follow Hannity's show (Daily News, 2013).

Bargaining Power of Buyers - Moderate

Broadcast radio stations have one commodity to sell which is time. This could be in the form of advertising or paid programming such as a show to promote the sale of a consumer product. The bargaining power of the buyer varies based on the time of day or frequency of airing. The size of the listening market which in the case of Cumulus,

which could be nationwide, would also put the buyer in a weak negotiating position. Small local radio stations, such as WWPR-AM in Bradenton, Florida offers different rates for advertising spots aired between 6 AM and 6 PM and another rate schedule for other hours. They also offer new customer discounts as well as the opportunity to purchase time for paid live programming at a rate of \$150 per hour (“Radio Advertising Rates,” 2014). The size of the audience, the number of spots, and the time of day they are aired will vary the buyers bargaining power.

Threats of Substitutes - Moderate

Consumers listen to broadcast radio for different reasons so the threat of substitution varies based on the type of usage and in some cases, with the cost of subscription and switching. According to research conducted by Arbitron, Inc., Edison Research, & Scarborough Research (2011), respondents stated that 64% of their driving time is spent listening to AM/FM radio and 42% reported that they left their radios tuned to the same station. In addition to listening to music, many drivers depend on local radio for traffic and weather reports. The cost of the radio is included in the price of the automobile and there aren't any additional fees so substitution isn't likely if broadcast radio meets their needs. If the listener is stationary, the cost of an AM/FM radio is as little as \$12 (“Sony ICF-S10MK2,” 2014) and potential substitutes are television, newspaper, or internet streaming. Sirius/XM radio offers a wide variety of news, sports, and music content; however the cost of switching is relatively high so the threat is moderate and dependent on affordability. Streaming audio through a smart phone is also a relatively expensive substitute because it requires a monthly fee, equipment purchase, and in most cases, a long term contract so the threat of this

substitute is low. Another option is to use an MP3 player or iPod device. Once the music is loaded into this device, it offers portability however unless it's equipped with wireless internet capability, it cannot provide the local content of an AM/FM radio. For listeners seeking local content, AM/FM radio provides the greatest value and the least amount of threat from substitutes.

Collective Strength of the Five Forces

The level of competition for listeners to broadcast radio is very high and it's based primarily on program content and accessibility. The lack of new station licenses and industry consolidation has created large entities who enjoy economies of scale. This evolution has created barriers of entry that are difficult to overcome which pits well-funded and diverse organizations against each other to gain more listeners which increases their ability to generate higher advertising revenue. Depending on their product, suppliers to the industry sometimes have strong bargaining power and in other cases, they are in a relatively weak negotiating position. Businesses who advertise with a radio station have alternatives in the each market. However, as consolidation continues, the cost to advertise may rise which could lead to defection to other media and a decline in the industry's revenue stream. The threat of substitution is relatively low for listeners who depend on broadcast radio for local news, sports, weather, and traffic and are on a limited budget. However, as costs decline with other technology such as smart phones and streaming audio, consumers will have access to a broader range of content which may undermine the success of broadcast radio stations that have chosen to remain with a terrestrial strategy only.

Factors Driving Industry Change

The broadcast radio industry has several drivers that are affecting change. Until the 1970s, AM radio was the primary carrier of programming including news, talk, sports, and music. FM had been underutilized and with lackluster programming, the listening audience was far below its potential. By the late 1960s, the FCC encouraged station owners who were broadcasting the same shows on their AM and FM frequencies, to use a different format on each. As more FM radios were manufactured for home use and FM radios for automobiles became more common, FM band usage began to grow. The sound quality was more appealing than AM and did not have some of the characteristic reception and static problems that AM suffered from (West, 2011). As a new generation began listening to FM in greater numbers, AM listenership declined and by the late 1970s, FM listenership exceeded that of AM for the first time. In an effort to reposition the AM band from decline back to growth, a ruling from the FCC in the late 1980s removed the regulation requiring that the broadcast of opposing views of political issues receive equal time on the air. This ushered in the rebirth of the AM band (McCoy & Sciuillo, 2013). Listenership to AM and FM broadcast radio has remained relatively flat since 2001 and statistics show that the driver that will help keep this industry alive will be online streaming of their programming (Mitchell et al., 2012).

The internet and smart phones have driven a revolution of change in broadcast radio. One of the most significant drivers within this technology has been the addition to streaming a station's broadcast through the internet. Listeners can enjoy virtually seamless reception without the limitations of the station's coverage area. When a listener is traveling and wants to stay informed about local events, internet streaming

provides this service. While a listener is working, staying tuned to a terrestrial station presents reception challenges. Radio signals do not travel well through steel and cement buildings and are adversely affected by electrical noise caused by computers and fluorescent lighting so having the availability of the station via the internet eliminates terrestrial reception problems ("Improving Your Reception," 2014) and allows the listener continuous station access. Similar to the impact of the internet on newspapers, as more consumers switched to the internet for news gathering, broadcast radio is facing a similar problem except there's room for both technologies. Advertising costs are measured by CPM or costs per impression. Broadcast radio advertising revenue for spots, which is the term used for a broadcast radio advertisement, declined by 4% in 2013 vs. a 15% increase in digital advertising revenue during the same period. From an advertiser's perspective, digital advertising is not limited to the broadcast range of a terrestrial transmitter so their CPM is much lower due to a wider audience base. The radio station knows the approximate location of each digital listener so they can substitute local advertising for listeners in specific markets. The blend of both terrestrial and streamed broadcasting should allow for growth in revenue and listenership over the long term (Kinsella, 2014). With greater availability of radio stations through streaming, the competition for listeners is rapidly increasing because not only are local stations available, now the listener is able to choose from content around the world which will force the industry to become more efficient in their operations as well as working harder to offer the best possible content.

Industry Competitive Analysis

The broadcast radio industry is going through an evolutionary period with the internet and smart phone devices playing a larger role in how listeners are accessing content. To analyze this industry without the inclusion of broadcasters who have a large presence on the internet and Sirius/XM, the sole provider of content via Satellite, would not portray an adequate analysis of this industry. I will examine iHEART media, Cumulus Media, CBS, and Cox Media as well as Sirius/ XM, Pandora, and Spotify.

Industry Competitors

The industry leader is iHEART Media, Inc. who owns 835 radio stations located in 85 of the top 100 markets in the US. They also produce 95 syndicated radio programs with 5000 affiliates carrying some or all of the content and they claim to reach a weekly audience of almost 190 million listeners. They have a large digital presence that includes their own programming as well as carrying content from other broadcasters (iHEART Media Inc., 2014).

Cumulus Media is the second largest with a portfolio of 450 terrestrial stations located in 93 media markets and distributes network programming to over 10,000 affiliates. They distribute their broadcasts through terrestrial and digital formats and in addition to distributing digital content through their own network, they joined forces with iHEART Media to carry a selection of Cumulus owned station programming. Cumulus stated in the March, 2014 10k report that they have a presence in 8 of the top 10 markets and estimate that their content is heard by 65 million listeners per week (Cumulus Media Inc., 2014)

CBS, owns 126 radio stations in 26 US markets and provides news, sports, and other content to affiliated stations with an audience of 72 million. Their market capitalization of \$29.6 billion (CBS, 2014) is significantly larger than that of Cumulus with \$974 million (Cumulus Media Inc., 2014) and iHEART Media with a market cap of \$605 million (iHEART Media Inc., 2014) however they're involved in several other businesses such as television broadcasting, outdoor media, and publishing (CBS, 2014).

Cox Media Group owns 57 radio stations and is a division of Cox Enterprises. Cox Media's 2013 revenue of \$1.7 billion ("Cox Media Group – About," 2014) puts it ahead of Cumulus Media however its significantly less than the revenue generated by both CBS and iHEART Media. Many of their radio stations also stream on the internet and they're the only company discussed thus far that is privately held ("Cox Media Group – About," 2014). There are several smaller broadcaster groups such as Greater Media and Emmis. Salem Communications owns almost 100 stations however their emphasis is on family values and Christian broadcasting rather than the mainstream market that these other companies serve ("Salem Communications History," 2014).

For those broadcast listeners who prefer primarily music, there are several options. We will now look at Spotify, Pandora, and Apple.

Spotify is an online music provider that offers their services free of charge with commercials or with their premium pay service for \$9.99 per month, the user can download songs and create playlists and will not be subjected to listening to commercials. The system also allows the user to identify artists and/or songs that they like and Spotify will remember this information and make future recommendations

("Music for everyone," 2014). As of May of 2014, the company has approximately 3 million users in the US (Adegoke, 2014). Spotify offers the user the opportunity to select their preferred tastes in music vs. services from iHEART Radio, Cumulus, and CBS who all offer features that allow the user to select certain songs and then recommend ones that are similar but not with the level of customization that Spotify offers. Terrestrial broadcast stations don't offer the opportunity to develop playlists so the only option for consumers is to listen to a station that plays a desired theme such as country, rock and roll, or jazz.

Pandora allows the user to create music lists similar to Spotify. Like Spotify, they offer a free service that's accompanied by advertising or Pandora One, which is free of advertising and requires a monthly subscription fee of \$4.99. Pandora estimates that they have 200 million users and over 80 percent use the service through a mobile device (Pandora, 2014). This compares to Spotify, which is a privately held company, with an estimated 75 million users (Pressman, 2014).

Apple's products such as the iPod, iPhone, iPad, and laptop computers offer the user access to a library of approximately 43 million songs. iTunes radio offers specific content by genre, as well as numerous podcasts which cover items such as news shows, comedy, book reviews, and many other subjects. There is no subscription fee for most of the iTunes products however listeners must purchase songs, albums, and some podcasts. Over time, iTunes can become very costly. For the devices that allow for internet access, most of the services previously described are available as Apps. Prices of the devices range from \$49 for a basic iPod to thousands of dollars for an Apple laptop computer ("iPod Touch", 2014). According to Tim Cook, Apple's CEO, the

company has approximately 800 million iTunes accounts, far exceeding their competitors (“F2Q 2014 earnings conference call,” 2014). This figure is based on their worldwide audience and there’s no information available regarding the size of their US audience.

Satellite radio began in the early years of the 21st century by two companies named XM and Sirius. Both provided seamless coverage from coast to coast and offered stations with a variety of programming ranging from music, entertainment, news, and sports. Listeners were required to purchase separate receivers and pay a subscription fee for the service. In 2008, the FCC approved the proposed merger between the two companies. With the era of Apple’s iTunes and other internet based broadcasting quickly approaching, the intent of this merger was to help the satellite radio industry continue to be a competitive force (Kharif, 2008). Today, Sirius/XM claims to have over 25 million subscribers and offers 3 subscription levels ranging in price from \$9.99 to \$18.99 per month with the more expensive subscriptions offering more channels as well as internet access to programming. Most major automobile manufacturers offer Sirius/XM in their vehicles by incorporating the technology required to listen to their stations into the AM/FM audio units however after a trial period, the vehicle owner must subscribe to continue the service (“Sirius/XM Welcome,” 2014).

Listeners have many choices today and the following chart will show how they are positioned to compete.

Position of Rivals in the Market

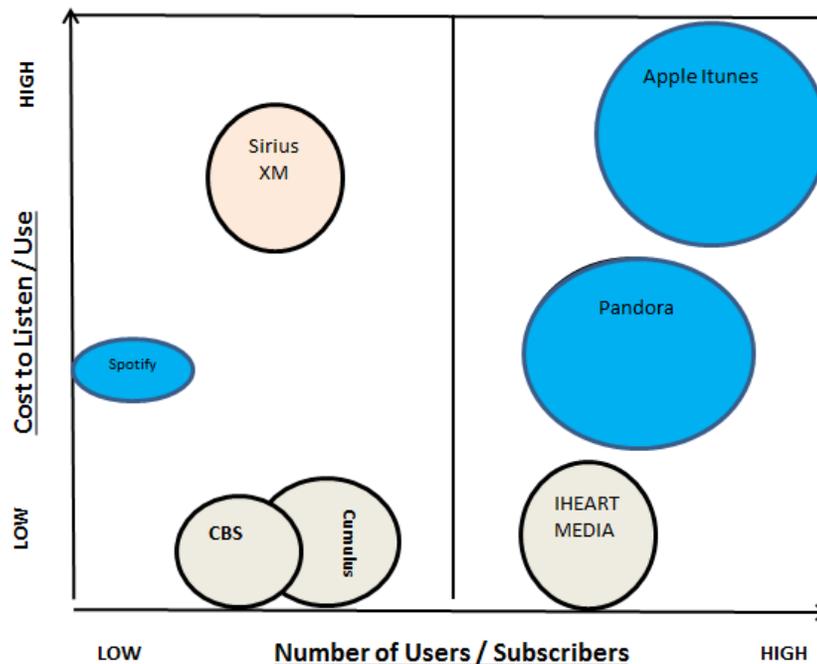


Figure 1. Comparative Market Positions of Rivals in Broadcast Radio Market.

Figure 1 shows the market positions of broadcast radio groups vs. satellite providers and companies that don't use any type of terrestrial broadcasting. Due to their impact on broadcast radio listenership, they must all be considered when evaluating the external environment.

Based on this analysis, terrestrial broadcast stations that who are not active in streaming are the most vulnerable. Looking at iHEART media, their portfolio is heavily invested in terrestrial broadcasting however they're also developing their streaming presence which gives them additional revenue opportunities and exposure to listeners who may have low awareness of their station or brand. Apple's iTunes is in the most favorable position. Their library of media gives them a competitive edge to offer more variety to listeners. Also, the number of iTunes user accounts is over twice the number of Pandora. Even though the data for the US market is not available from either, their

size gives them the advantage by having a distribution channel that the others haven't earned. Neither company offers live news, sports, weather, and traffic information however, the listener has the option of using broadcast radio for this content. CBS' presence in the streaming industry is small compared to Cumulus and iHEART, however their corporate overall financial position is strong. Sirius/XM has a monopoly on satellite radio but their system differentiates them from all of the others in terms of coverage area. Their coverage has no terrestrial signal limitations, whether it's being on the fringe of a broadcast area or listening at night when some stations run lower power or are off the air. In these areas, where a listener wants live news, sports, and weather information, satellite radio is the best option. Spotify has neither the name recognition nor the size of a user base that compares to the others.

Value Proposition

The preceding section discussed competition within the industry, who the players are, and the positions they hold in the market. Broadcast radio offers the greatest value proposition for a radio listener. From a cost perspective, it's the most economical of all media choices and with the resources of ownership or affiliation with organizations such as Cumulus, the listener has access to almost every type of content that one would find in a service that would cost much more. Based on their presence in terrestrial and digital formats and as the cost of receiving the digital signal declines in the future, the company will be experienced and prepared to offer quality content through both types of media and give them a long term competitive advantage.

Strategic Moves Rivals Will Likely Make

iHEART radio is likely to continue their strategy of acquiring terrestrial stations, increasing their streaming presence, and marketing their streaming services to other large broadcast firms such as Cumulus and CBS. They also have an opportunity to offer their streaming services to smaller firms that don't have the financial resources, experience, or marketing power of iHEART. This is a win-win for all parties, particularly the smaller entities, because streaming can increase advertising revenue. Pandora and Spotify are likely to continue with their specialization in music and individual station creation. Neither of them own terrestrial broadcast stations and the barriers to entry may be cost prohibitive, so those resources could be best used in their area of core competency which is music.

Apple will likely continue to build their music library and expand their podcasts. They are the only firm in this group that produces hardware and the competitive landscape in the technology business, which is shown by the short life cycle of many of their products, requires them to focus on product development rather than diversifying into broadcast media that may produce a smaller return on investment than their core business.

Sirius/XM is likely to grow their presence in the automotive business and concentrate on subscription sales that incorporate their proprietary hardware with internet streaming. The barriers to entry in the satellite broadcast industry require a significant financial investment that no one is likely to pursue unless they can sell other services that the satellites can provide.

Industry's Key Success Factors

The overall key success factor is the ability of a station to differentiate itself from others in the market.

Consolidation has taken place and one result has been that much of the programming is now syndicated and has taken the place of much of the local programming. As an example, WTMA is an AM station located in Charleston, South Carolina, with a population in the metropolitan area of 669,157 ("Best Place to Live," 2014). This station's schedule from Monday through Friday includes a local morning show from 6 AM until 10 AM and the remainder of the schedule consists of syndicated shows hosted by Michael Medved, Red Eye Radio, First Light, Herman Cain, Clark Howard, The Savage Nation, Mark Levin, and John Batchelor ("WTMA Weekly program schedule," 2014). Of the 24 hours of broadcasting, only 4 hours is dedicated to local content. The fact that these syndicated shows can be streamed from many sources gives the listener a reason to defect to another broadcaster. That intent could be diminished if the station invested in development of local shows and differentiated itself. This local content may result in more local advertising and without local identity, the station may blend into the crowded field of competitors.

Another key success factor is to have a digital presence because with advertising revenue increasing at a rate of 15% vs. a terrestrial rate of revenue decline of 4% (Kinsella, 2014), the survival of a terrestrial station may hinge on how well it positions with streaming. When the local stations carry broadcasts of events such as local sports, political events, and remote broadcasts with businesses, this could increase

their listenership and generate more advertising revenue. It also creates differentiation where a large company such as iHEART media, would be an unlikely competitor.

Industry Outlook

The broadcast radio industry is in a period of evolution going from a terrestrial based operation to a mix with streaming. There are several factors that create a challenging environment for the station owners. Public displeasure with new antenna construction along with the current state of new license availability create barriers to entry which has the potential to increase the cost of acquisition of an existing station. Technology has created greater accessibility to broader program content however, it's also increased the competitive landscape which forces stations to run more efficiently but at the same time, pits local stations against the immense resources of large corporations. Advertising remains the main revenue stream for a radio station so there's a conflict between the revenues that digital media has produced and the need for the station to maintain a local presence so it remains a comprehensive choice for its listeners. Apple's iTunes does not offer the same content that broadcast radio does however if they chose to enter this market, the size of their customer base along with their financial resources could pose a threat to local radio. Satellite Radio offers seamless reception and a wide variety of programming and the cost of subscription is a barrier for many listeners. Pandora and Spotify specialize in music content and despite their success in that niche, they appear to be a complementary source of entertainment rather than a substitute. Based on these factors, it appears that investment in this industry where the return is the greatest is with the larger companies such as iHEART media and Cumulus.

Summary of External Analysis

The process of analyzing the external environment of an industry is important when considering or increasing an investment in a particular industry. The numerous factors to consider along with the complex and rapidly changing business environment make a thorough external analysis essential. When a firm is considering entering a new industry or expanding in one that it currently participates in, the time and money spent to conduct this analysis is good for long term financial health. The terrestrial radio broadcast industry continues to evolve as consolidation takes place and the larger media groups such as iHEART, Cumulus, and companies yet to be created will likely become the industry's dominant force.

Internal Analysis

The internal analysis of an organization is necessary to make the best strategic decisions by evaluating the strengths and weaknesses, core competencies, and willingness of each stakeholder to achieve the mission of the organization. In this section of the paper, we will look at various aspects of the company, its resources, the long-term and short-term objectives, financial performance, the overall strategy, value chain analysis, and a TOWS analysis.

Organizational Analysis

Cumulus Media is the second largest owner of broadcast radio stations in the US. Its business is divided into two entities with one being broadcast radio and the other as a syndicator and content provider to more than 4,500 affiliated stations throughout the US. Cumulus has a strategic alliance with IHEART radio, a division of Clear Channel Communications, to carry selected radio stations on their digital platform

(iHEART Radio, 2011). The company is based in Atlanta, Georgia and has offices in New York and Dallas.

Corporate Vision and Mission

Cumulus' goal is to provide diverse programming to maximize the number of loyal listeners and to generate revenue through advertising and affiliate fees. Their vision is "Cumulus Radio strives to create the next generation radio broadcast enterprise" and their mission statement reads "by leveraging great people and technological excellence, we provide high quality local programming choices for our listeners; targeted audiences with disposable income for our advertisers; and rewarding career environments for our employees (Cumulus. com. 2015)."

Leadership

Cumulus' leaders have been challenged with growing a profitable enterprise in the competitive broadcast radio industry because unlike their predecessors who had limited markets to reach in a changing but fairly consistent technological environment, the Telecommunications Act of 1996 created a new entity in radio broadcasting called the conglomerate. These leaders were the pioneers in a new frontier and should be lauded for the risks that they took and the successes they've achieved. Cumulus' corporate governance is comprised of the Chairman who is charged with presiding over shareholder and board of director meetings, as well as other duties as assigned by the board of directors. The President, who is also the Chief Operating Officer has general duties of supervising and controlling the business, and is given the authority to act as a signatory for the company. The Chairman may also delegate signatory duties to any Vice President during his absence. Other members of the board of governance are a

Secretary, Treasurer, and an unlimited number of assistants of each pending approval of the board of governors (SEC.gov. 2002).

The current Chairman, President, and CEO is Mr. Lewis Dickey, Jr., is one of the founders of the company and assumed the position of CEO in 2000. He received his Bachelor's and Master's Degrees from Stanford University and earned his MBA from Harvard. Prior to Cumulus, Mr. Dickey was a consultant to the broadcast industry, an author, and sits on the National Association of Broadcasters Board of Directors. He is one of the seven members of the Cumulus Board of Directors and oversees an 8 member executive team (Cumulus.com., 2015).

Culture, Social Responsibility, and Structure

During this research, there was no information available on any Cumulus corporate initiatives regarding activities to preserve the environment or for giving back to the community. However, the role of a socially responsible corporate citizen and individual efforts in these areas are handled by individuals and local radio stations. Alexis Glick, who is a member of the Cumulus Board of Directors, is involved in a non-profit organization that seeks to improve the health of children through good nutrition and exercise. The local radio stations owned by Cumulus are also active in community events. One example is the Medal of Honor Bowl game that's held every January in Charleston, South Carolina. This is a fund raising event with a portion of the proceeds donated to Wounded Warriors of South Carolina. Radio station WTMA of Charleston is one of the sponsors of the event (Medal of Honor Bowl – Charleston, 2015). CSR, which is an organization that rates companies on their corporate social responsibility, gives Cumulus an overall score of 51 vs. 55 for an all industry average and scored

poorly in environment and governance however no specific details were available.

Their highest scores were in the area of community (csrhub.com, 2015). There was no credible information regarding any current ethical issues related to Cumulus.

Summary of Organizational Analysis

Cumulus Media is one of the original broadcast radio conglomerates who carried out their vision by using acquisitions and joint ventures to integrate themselves into the industry. Their strategic alliances with affiliate stations give them additional sources of revenue for the media that they syndicate. They've taken their alliances one step further by allowing iHEART radio, which is owned by their competitor Clear Channel, to carry Cumulus stations on this digital platform. Their vision and mission statements are clear about their intentions and how they plan to accomplish their goals. Their lack of visible community and environmental involvement is a cultural improvement that would benefit all stakeholders in their organization. Their corporate governance appears to adequately provide for a system of checks and balances.

Analysis of the Company's Resources

A company's resources can be classified as either tangible or intangible and depending on the type of business, one may require strong tangible resources such as an oil company while others rely on more intangible resources such as the reputation of a company in the service industry. Regardless, all companies require both types of resources and the following information will describe those that belong to Cumulus Media.

The company's tangible assets can be categorized as physical resources, financial resources, technological assets, and organizational resources (Gamble et al., 2014).

Physical - Strong

Cumulus' Balance Sheet filed as part of their latest 10k report (Cumulus Media, Inc., 2014) does not give a breakdown of their physical assets however they list property and equipment, net of \$254,702,000 and broadcast licenses valued at \$1,596,337,000. Their property and equipment shows a decline in value from the previous year and the broadcast licenses show an increase but without more information, such as industry benchmark data or a list of acquisitions and divestitures, it's difficult to properly ascertain if these values are considered good news or bad. Physical resources of a broadcast radio station would include leases on property and equipment, transmitters, broadcast equipment, antennas, real estate, their FCC station licenses, contracts with radio show hosts and other media providers, all of the radio station logos, and trucks used for remote broadcasts.

Financial - Moderate

Cumulus shows current assets such as cash, marketable securities, and receivables of \$377,055,000. (Gamble et al., 2014) also state the company's ability to borrow and its credit rating as part of the tangible asset portfolio. Standard and Poor's (2015), one of several credit rating services, has given Cumulus a long term credit rating of B on a scale that ranges from AAA as best to D which is the lowest score. The B rating indicates that the obligor has the financial means to meet its obligations but warns that adverse economic or business conditions may affect their ability to pay.

Technological Assets – Strong

Cumulus owns 525 radio stations in the US and with that, each station has their own logo, website, jingles, and some even have slogans which could be trademarked. Show content and music are also the property of the owner or artist and when a Cumulus station or affiliate broadcasts a show or plays music, they are required to obtain permission and in many cases, pay a fee for its use. Cumulus' strength comes from its ability to broadcast content across different platforms.

Organizational Resources - Strong

Each radio station, just like a typical office, requires an IT infrastructure including items such as servers, computers, phone systems, and possibly telecommunication systems such as satellites, to allow for video conferencing and other long distance communication. The organization should also have a chart showing the chain of command as well as an HR program that handles all human relations functions and is a source for protecting the rights of the company's employees and the interests of stakeholders.

Intangible Resources - Strong

According to Gamble et al.(2014), the company's intangible resources can be classified as human assets and intellectual capital, brands, company image, and reputation assets, relationships, and company culture and incentive system. Their latest 10k report (Cumulus Media Inc., 2014) \$315,490,000 of intangible assets which represents a 22% increase from 2012. Unfortunately, there is no benchmark to compare this to so the strong rating is based on the percentage of increase.

Human Assets and Intellectual Capital - Strong

Cumulus has a significant inventory of human assets. Looking at their executives, Lewis Dickey received his education from both Stanford and Harvard and has written a book discussing leadership and strategy. His brother, who is also a Stanford graduate is the Vice President in charge of Content and Programming. Treasurer and CFO Joseph P. Hannan worked for several organizations in the broadcast industry and as a graduate from a different type of university, brings a different perspective. Other members of the executive team come from backgrounds such as a director of programs and a former radio station owner (Cumulus Media.com, 2015). The collective experience of this group as well as the board of directors and other staff is an asset that is valuable to this organization.

Brands, Company Image, and Reputation - Strong

Each radio station operates on a certain theme such as news and talk radio, sports, different types of music, and business. Although the Cumulus name appears in places such as websites (WTMA.com, 2015), the station's theme is their brand. As an example, Cumulus owns radio station WIXV located in Savannah, Georgia. Their theme is rock and roll music and they have branded themselves with the slogan "the rock of Savannah – I 95." In addition, the last three figures in the station's call sign make up the roman numerals for 95. The phrase "I 95" represents the interstate highway that runs to the west of Savannah (rockofsavannah.net, 2015). Suppliers to Cumulus, such as syndicated program owners, have the convenience of negotiating contracts with one entity rather than with individual station owners. Advertisers have the advantage on the Cumulus website where they segment their markets, list each

station individually and included in these listings, is a media kit that contains information about the theme of each station, the demographic, on-air hosts, interactive solutions, a list of their current advertisers and a signal coverage map

(Savannah.cumulusradio.com. 2015). Cumulus dedicates an entire web page with endorsements, or what they refer to as case studies, from some of their advertisers (Cumulus Results, 2015). Cumulus would benefit from branding the Cumulus name so regardless of the listener's location, the Cumulus name would represent the company's good reputation.

Relationships - Strong

Cumulus developed an alliance with its main competitor, Clear Channel Communications when they reached an agreement to carry Cumulus station's content on IHEART radio, Clear Channel's digital platform. This strategic alliance allowed Cumulus to minimize the cost of entry into the digital world and for Clear Channel, it allowed them to sell advertising on Sweetjack, which Cumulus developed to allow local businesses to advertise daily specials on their stations (iHEART Media Inc., 2015). Clear Channel benefited from leveraging Cumulus' presence in advertising in local markets.

In May of 2014, Cumulus formed a joint venture with Big Machine Label Group to launch a new record label for promoting country music and increase listenership on Nash, which is a Cumulus platform and is carried on all of its country music-themed stations. Ultimately, the goal is to attract a larger listenership and generate advertising revenue and music sales (Cumulus and Big Machine, 2014).

Company Culture and Incentive System - Weak

The company's website has a page dedicated to careers. It contains a very basic description about the company and how wonderful it is to work for them. There is no mention of any intrinsic value concepts such as educational assistance, internships, promotion from within, or opportunity to move to different areas of the country. There are two testimonials from current employees and there's no mention of diversity. Based on the fact that the two featured employees are Caucasian, it appears that they aren't thinking about a diverse workforce that matches the demographics located in the markets they represent (Cumulus Careers, 2015).

Capabilities - Strong

The most valuable resource, whether tangible or intangible, is of no use unless there is human intervention as the catalyst. The capabilities of Cumulus begin by drawing from the aforementioned resources and using skilled employees to produce results that will benefit the organization. One of the company's capabilities is the way in which their organization operates their radio stations. This includes their sales department who must sell advertising to generate revenue. An example of this skill is the design of their website that enables a potential advertiser to look at the Cumulus stations in a given market, review the media kits to determine which stations fit best with the products they are selling, and then using the other data included in these kits to decide where they want to spend their advertising dollars. The result has been a 121% increase in broadcasting revenue between 2011 and 2013 (Cumulus Media, Inc. 2014). Another capability of the Cumulus organization is to sell services to smaller non-Cumulus stations. These services include radio show preparation, software for station

operations as well as a program to help independent station run effective local promotions (Cumulus Media, 2015).

Core Competencies and Sustainable Advantages - Strong

The core competency of Cumulus is the ability to make strategic acquisitions of broadcast radio stations that adds listeners to the Cumulus family, and to develop strategic alliances with other organizations as a means of leveraging their core competencies to Cumulus' advantage.

When Cumulus Media was formed in 1997, they set out to take advantage of the recent changes in ownership rules that resulted from the Telecommunications act of 1996 and to build a conglomerate of stations that offered diverse content to attract as many listeners as possible thus attracting advertisers and generating revenue. Their aggressive plan brought them from relative obscurity in 1997 to holding the position as the 2nd largest owner of broadcast radio stations in the country. As described earlier in this analysis, their growth was not unlike other fledgling organizations which resulted in reaching a point where they assessed their current position and made whatever changes were necessary to continue moving forward. As they saw the market shifting towards digital platforms, they used another of their core competencies of developing strategic alliances and entered into an agreement with iHEART Radio to carry the Cumulus content on their digital platform. They understood that development of a digital platform would be costly and take many years to develop and brand so they turned to a company with a core competency that Cumulus did not have. The combined activities of smart acquisitions and knowing when to create a strategic alliance has formed the foundation that will help them maintain a sustainable competitive advantage.

Distinctive Competence - Strong

A distinctive competence is a skill or process that an organization prefers that even trumps a core competency (Distinctive competency, 2015). Cumulus' distinctive competency is to take their acquired radio stations and create a market where their brand is best served. Instead of purchasing every all-news station in a particular market, they are skilled and own brands that are distinct so they attract as many listeners as possible in a given market without cannibalizing from each other. As an example, in the Charleston, South Carolina market, they own WTMA whose format is news and talk, 93 Jamz, with a format of hip-hop and R&B, 95 SX which features hit music, Nash 96.9, a country music station, and Magic 107.3 that is referred to as the best R&B (Charleston.Cumulus.com, 2015).

Summary of Resources

Cumulus has developed a group of tangible and intangible resources that have formed the basis for their success in the radio broadcast industry. This analysis has shown their greatest area of strength which is the ownership of valuable FCC operating licenses. We have yet to look closely at their financial position which will be reviewed later in this analysis. Their intangible resources include the branding and trademarks of their radio stations and the way in which they organize their sales efforts to minimize the decision making challenges that their customers face. Their other intangible resource, and the most important one, is their employees, executives and board members. Development of their skills will have a positive effect on the company's financial performance and give them a sustainable competitive advantage. Cumulus should

devote more resources to develop a sustainable company culture and to promotion of its commitment to diversity.

Analysis of Objectives

Measurement of a company's performance allows management to monitor the progress made towards its goals and provide data to support changes that may be necessary along the way. W. Edwards Deming, who was a famous management consultant in the 20th century, devised a system referred to as the Deming cycle of PDCA which stands for plan-do-check-act. This process allows an organization to develop objectives for achieving its goals, implementing those plans, checking the progress at various intervals, and altering the direction as necessary. The concept that he was promoting is continuous improvement (Deming.org, 2015). In this section of the Cumulus analysis, we will look at the Cumulus objective setting process and identify how well they've achieved their goals.

The vision of Mr. Lewis Dickey Jr., was to acquire groups of radio stations located in small and medium size markets. He was raised in a "radio family" with father Lewis Dickey Sr., who owned a few small stations and formed the Midwestern Broadcasting company (Inside Radio, 2015). Once the Telecommunications act of 1996 was passed, Mr. Dickey's vision changed to include the expansion of the quantity of station ownership and formed Cumulus Broadcasting Company. He carried out the "do" portion of the Deming cycle and by the year 2000, Cumulus owned almost 300 radio stations. The "check" that was brought on resulting from allegations of accounting improprieties which when they were corrected, left the company without any cash to fund further expansion. Mr. Dickey "acted" and consequently sold some of the Cumulus

stations which raised cash and kept the company from failing. His “plan” then became to expand from smaller markets to larger and wealthier areas of the northeast. The Deming cycle continues at Cumulus today (Radioworld, 2002). As mentioned previously, the company continued with additional strategic acquisitions and formed an alliance with iHEART radio to penetrate into the digital market.

In the Cumulus 10k report from 2013, it states that the company has not abandoned its original goal, which is to acquire radio stations of brands that are differentiated by content and serving local communities. To reach their financial goals, they have developed proprietary software, continuously train their sales staff, and provide them with the tools they need to convey the vision of developing local advertising as the preferred medium and that their growth strategy is focused on increased listenership and the revenues from advertising that will follow. Cumulus’ experience in the broadcast radio industry offers their local radio stations the benefits of economy of scale in general administrative functions as well as a competitive advantage in areas such as value chain activities, their brand name, and specific skills and knowledge that apply to the broadcast radio industry (Cumulus Media, Inc. 2015)

Evaluation of Financial Performance

Financial Condition Analysis and Summary

The broadcast radio industry continues to evolve from terrestrial based operations to a mix with digital platforms. As substitutes to broadcast radio such as satellite radio, pre-recorded music such as iTunes and the proliferation of digital platforms have increased, the industry has been forced to form alliances to achieve economies of scale and improve programming in order to compete with the plethora of

alternatives. Competition in general, breeds efficiency and continuous improvement but consumer preferences will be the main driver of the fate of broadcast radio.

The company's total revenue has increased by 120% from 2011 through 2013 which has generated an operating profit increase of 274% for the same period. They had net income in 2011 and 2013 and posted a loss for 2012. There is no data available other than consolidated statements, to support an analysis such as revenue per station or revenue per station based on audience size or market so further analysis will be necessary before an investor should make a financial commitment. There are some key financial ratios that will form a basis of comparison.

	Cumulus			IHEART Media		
	2013	2012	2011	2013	2012	2011
Gross Profit Margin	34.8%	37.8%	38.8%	59.3%	60.0%	59.3%
Operating Profit Margin	18.30%	5.60%	10.70%	16.0%	17.1%	17.1%
Current Ratio	2.4	1.8	1.8	1.4	1.7	2.1
Working Capital	\$220,735	\$157,876	\$145,904	\$753,702	\$1,205,611	\$1,556,323
LT Debt to Capital	0.84	0.91	0.91	1.8	1.7	1.7

Figure 1. Cumulus Media vs. iHEART Media. Adapted from finance.yahoo.com (2015)

Gross Profit Margin, which shows how well a firm can cover its operating expenses, is clearly a strength of iHEART media and is of concern for Cumulus as its gross profit margin is trending downward. Cumulus should review their cost of sales to as well as their sales trend in their revenue stream to determine why it's in decline and

develop a plan for recovery. However, Cumulus has strength in their operating profit margin and iHEART should look at their operating expenses, particularly in selling, general, and administrative and find ways to take advantage of economies of scale. The current ratio, which is a measurement of how well a firm can cover its current liabilities, is in good position with both companies however Cumulus is in a much stronger position in 2013 and iHEART's decline in this measurement, warrants a review of their current liabilities such as short term debt obligations and their accounts payable. Renegotiating short term debt payments and terms for their accounts payable liabilities along with examining their expenses might reveal why this situation occurred. IHEART's working capital exceeds that of Cumulus by a significant amount and some of these funds could be used to pay down short term obligations but not to create a shortage of working capital. This also involves a much deeper analysis than what is included here. Finally, the Long Term Debt to Capital ratio is an indicator of balance sheet strength and the company's creditworthiness. A ratio below .25 is desirable and both firms are significantly higher suggesting that their capital structure is heavily weighted on debt (Gamble, et al., 2014).

This section represents a summary of some key indicators. Cumulus has relative strength in its operating profit and liquidity however the company is highly leveraged and should consider restructuring its debt or selling some of its assets to put it in a stronger competitive position.

Crafting a Strategy

The flow of strategy making in an organization is dependent on the corporate structure. In a large conglomerate such as General Electric, the CEO and other

executives are removed from the operational aspects of their divisions however they set the goals for the entire organization and each business unit's management team determines the goals that are necessary for them to the organization's overall financial targets. Cumulus is involved in one business so their strategy making is handled on one level which is referred to as Business Level Strategy (Gamble. 2014). In their 2013 10k report, they stated their intentions to use the following tactics to put their company in a strong position to continue to grow and increase stockholder value. These tactics can be developed using certain criteria such as financial, market share, and other highly valued goals.

Criteria Test

Department goals must be written so they are in alignment with corporate goals and must be measurable. Edwards Deming, who was responsible for development of what is referred to as the Deming Circle included the steps of plan-do-check-act (PDCA, 2015). The theme of this process is once an objective was set in motion to achieve a goal, it must be measurable and have the ability to be modified and was the tool to foster continuous improvement. The Deming Circle is a great tool to use for a goal's criteria test. The "Plan" phase helps to decide what the company wants to achieve and is a good double check to make sure that it's in alignment with the company's mission. In the case of Cumulus, they stated that they wanted to make acquisitions that were a good strategic fit and not making them for the sake of acquisition (Cumulus Media Inc., 2013). Their goals for acquisition could include a list of radio stations they wanted to acquire or a market they wanted to dominate and answer the question of where they wanted to be and projections both financial and organizationally of what they wanted

their organization to look like. Then, they would enter the “Do” phase which is the act of acquiring. Next, is the “Check” phase at which time they would measure the progress of the goal to see if they were at the milestone they expected to reach and the “Act” phase is used if the milestones they anticipated were not reached (PDCA, 2015). The following is the list of tactics that Cumulus wants to use.

Focus on unique brands

These include station format such as country music, news and talk, or top 40 and this uniqueness will provide a means to attract local advertisers and the revenue stream that accompanies them. Through their years of experience, they have progressed down the learning curve and have developed exclusive systems to manage their customer relationships. Through internal growth or by acquisition, Cumulus intends to grow their portfolio of stations by leveraging their assets and attract additional advertising revenue.

Further Leverage Operating Efficiencies

Cumulus has a competitive advantage through an experience-based proprietary management system that is deployed company-wide. This standardized process of managing their radio stations has set a benchmark that would be difficult for a competitor or new entrant to copy.(Cumulus Media Inc., 2013). The synergy created in this organization allows them to function as a low cost provider with an expense structure less than that of the competition and simultaneously appealing to a broad audience of listeners (Gamble, 2014).

Use experience to provide consistent operations.

As Cumulus acquires more stations, it can use the systems and processes they've developed to integrate acquired properties in an efficient and speedy manner. Continued growth will provide an economy of scale creating a position of strength when negotiating with vendors. The process of continuous improvement is enhanced by the experience as owners of hundreds of radio stations. Cumulus can leverage this knowledge and implement it throughout its entire organization.

Refine their large-scale operations to achieve efficiencies.

With the size of their company, Cumulus continuously looks for ways to minimize expenses while growing its revenue base that provides capital for growth in each market.

Operate in a fiscally responsible manner.

Cumulus strives to manage their finances in a way that reduces their reliance on debt and allows for greater amounts of free cash flow. The financial analysis shown in this paper does not indicate that the company is adhering to its pledge to reduce their debt reliance.

Making acquisitions that are sensible

Cumulus' strategy is not to blindly acquire radio station but to use their experience to acquire assets that fill market gaps and have the potential to generate value for the organization. They believe that long-term success in the broadcast radio industry must include the competitive advantages of large scale ownership including the simplification of the processes for the purchase of advertising.

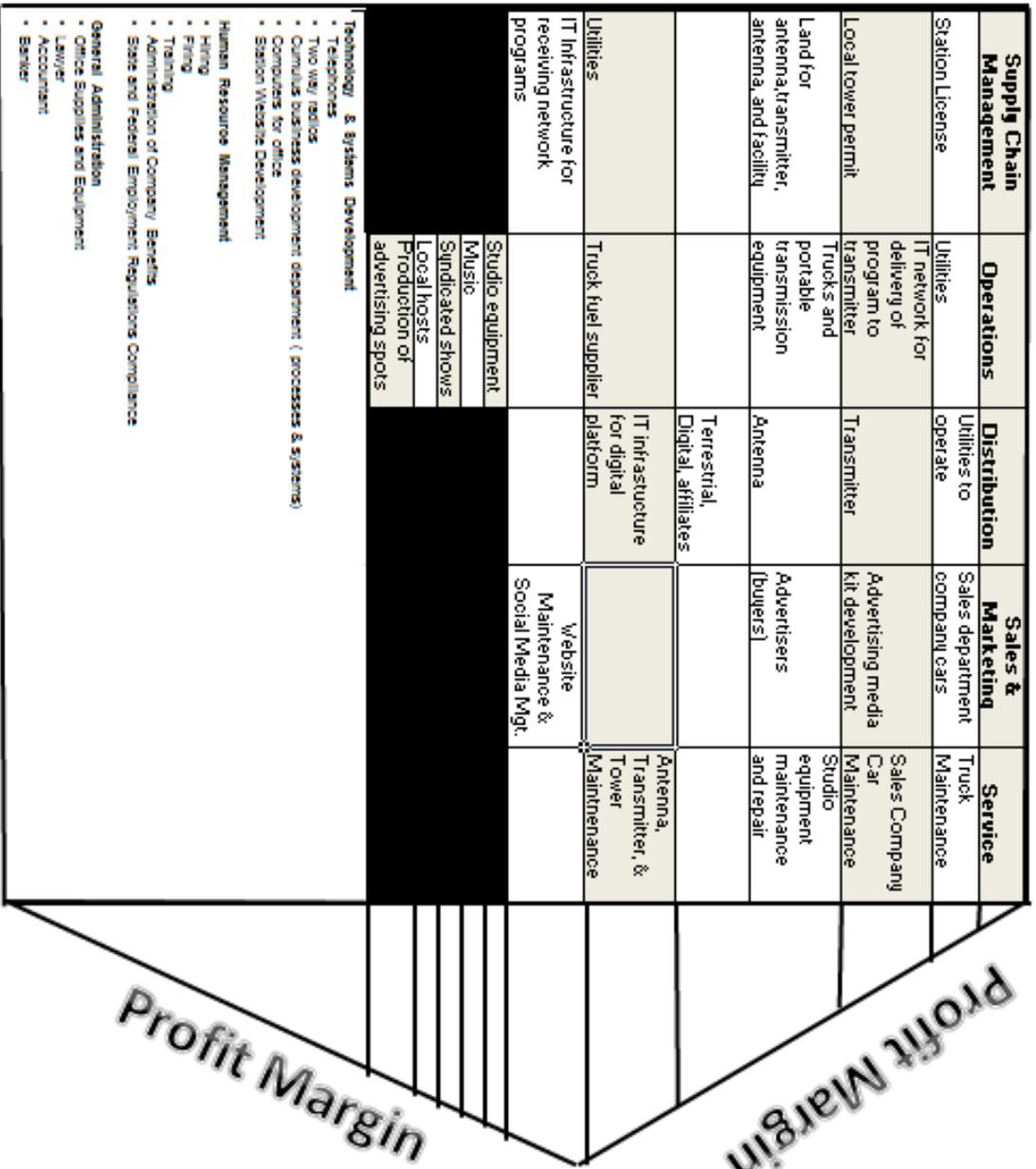
Cumulus states their overall strategy is to diversify their operations through acquisition and expand their content to attract a broad base of listeners. They also strive to create industry-leading research so that advertisers can make well informed purchase decisions as easily as possible. They also intend to use their experience and both tangible and intangible assets to methodically grow their enterprise (Cumulus Media Inc., 2013).

Value Chain Analysis

The value chain of an organization is comprised of primary activities beginning with one or more inputs and ending with generating a profit. These primary activities are classified into five categories: supply chain management, operations, distribution, sales and marketing, and service with the ultimate goal of generating a profit and increasing the value of the raw material which in this case are the necessary components to create, establish, and operate a radio station. This does not apply exclusively to manufacturing but is also used in service industries such as hotels and radio stations. The other section of the value chain involves the support of primary activities with the ultimate goal of looking at every input and determining how much value it adds, if any, and how to reduce costs without compromising quality and service. It's important for a company to assess the components for each link in the value chain and determine if they add value and how much. If they don't add value, are they necessary for production of the finished product? There are processes that are used to measure the value added by each link of the chain such as the following: determine if the link gives the company a differentiation or cost based advantage and which one is more important for sustainable advantage. Looking at program content, which includes

music, syndicated shows, and local hosts, differentiation ranks higher in importance vs cost. Although the cost of royalties paid to musicians, contracts with syndicated show hosts, and salaries paid to local hosts must be considered, if the company wrings out costs to a point where they lose valuable content, then listeners will defect and advertising revenue will decline. There must be an economic balance when assessing this link of the value chain so that differentiation is given a higher priority. Radio stations own or lease trucks used for remote broadcasting and cars used by salespersons to visit with their accounts. These vehicles require scheduled maintenance, repairs, and fuel. Despite the fact that without these vehicles it would be difficult to conduct business, Cumulus could create a cost advantage in several ways: one is to negotiate lower fuel prices with the promise of using the supplier exclusively for all maintenance and repairs. Another cost advantage might be to purchase these vehicles pre-owned instead of new or to lease them and avoid the costs associated with the aging. This strategy would have almost no effect on the successful completion of other value chain activities and could have a positive effect on the company's profit margin. On the support side, commodity purchases such as office supplies and telephone systems can be negotiated without impacting the end product and with the size of the Cumulus organization; they could negotiate the website contract for all of their stations and produce cost savings. (Gamble, 2014).

Cumulus Value Chain



Primary Activities

Support Activities & Costs

SWOT Analysis

The SWOT analysis is used to identify the internal strengths and weaknesses of an organization and the opportunities and threats from the external environment. Once this exercise is complete, an organization is ready to develop a strategy that leverages their strengths, determines if they have the resources to improve their weaknesses and if not, how critical they are to the success of a strategy. Then, the external environment is measured by the opportunities such as a growing market for a product or service, the vulnerability of a competitor that can be exploited for gain, or through an acquisition of a company that fills a competency void or to increase capacity. Finally, the analysis looks at threats such as economic issues, scarcity and escalating cost of raw materials, or an emerging strategy that a firm is unprepared to compete with (Gamble, 2014).

SWOT Analysis

<p style="text-align: center;">Strengths (Internal)</p> <ul style="list-style-type: none"> • Economies of scale and established processes create buyer power. • Domination in certain markets creates high barriers to entry • Alliance with iHEART Radio to carry Cumulus' stations on their digital platform • Lack of availability of new station licenses increases value of Cumulus owned licenses • Diversity of experience in the management team and on the board of directors 	<p style="text-align: center;">Weaknesses (Internal)</p> <ul style="list-style-type: none"> • High long term debt to equity ratio affects the ability to borrow capital • Reliance on syndicated programming increases supplier power and diminishes differentiation • Lack of national-level content production competency creates vulnerability and dependence on producers outside of the company • No proprietary digital platform
<p style="text-align: center;">Opportunities (External)</p> <ul style="list-style-type: none"> • Increasing the use of digital platforms opens stations to large geographic audiences, smart phone and computer listeners, and attracts more advertisers • Purchase exclusive rights to air popular talks shows, purchase them outright, or produce them. • Produce their own shows • Offer to sell programming to Sirius / XM 	<p style="text-align: center;">Threats (External)</p> <ul style="list-style-type: none"> • Disruption in alliance with iHEART radio could result in a high expense to develop and promote a Cumulus proprietary digital platform • Movement from local content to syndicated programming jeopardizes station recognition in the community • Consolidation reduces demand for many radio station positions which could lead to a decrease in supply of talent • Increased capabilities of substitutes such as Apple could reduce the demand for broadcast radio

Strengths (Internal)

Cumulus has generated an economy of scale and established processes to create buyer power. When an advertiser is researching a market and is considering a Cumulus station, they simply go to the Cumulus website for that market where the advertiser can see the number of stations, their format, links to the individual station's websites, and a media kit (Cumulus Media, Inc. 2014).

The fixed costs to build the websites, the templates for the media kits, and the processes for presenting such can be spread among 500 + radio stations (Cumulus.com 2015). Cumulus' presence in their respective markets includes the ownership of several stations so one of their strengths in dominating the ownership of stations in a market is the creation of barriers to entry as there are a limited number of stations available in each market and as mentioned before, a new entrant may require the resources of Cumulus to compete.

In 2011, Cumulus created a strategic alliance with iHEART Media to carry Cumulus stations on their digital platform (Clear Channel.com, 2011). This enabled Cumulus to leverage the experience Clear Channel and gave it immediate recognition with the iHEART Media brand. The alliance also allowed Cumulus to redirect their financial resources from building a digital infrastructure to other uses.

Cumulus Radio currently holds 525 FCC radio station licenses (Cumulus.com, 2015) and as previously stated in this paper, the FCC is not accepting any applications for new stations (FCC, 2014) so with the demand for licenses increasing and the supply remaining static, this should increase the value of their licenses and raising the barriers to entry by the increased price a license holder might demand for selling it.

Cumulus' executive team, as well as their board of directors, are an intangible asset and a competitive advantage in the market. Their collective experiences inside and outside of the broadcast radio industry as well as the amount of time served in broadcast radio give the company a strength in decision making and long-term planning (Cumulus.com, 2015). Other operators could create an executive team and board of directors however the cost and time of hiring the level of talent at Cumulus would be very difficult to reproduce at a pace that would facilitate immediate market presence.

Weaknesses (Internal)

According to their 2013 Income statement (Cumulus Media, Inc., 2015), Cumulus has a long-term debt to capital ratio of .84 which Gamble, et al.(2014) states that any ratio greater than .25 indicates that a firm is heavily dependent on debt. This weakness could be a factor if economic conditions change, a new entrant emerges, or if their alliance with iHEART radio dissolves and they are forced to develop their own digital platform.

Cumulus-owned stations are reliant on syndicated programming and this increases the seller power, particularly when a contract with a popular talk show host is up for renegotiation or if they violate the terms of their contract. As an example, in 2013, popular talk show host Rush Limbaugh considered not renewing his contract with Cumulus. According to Politico (2013), because of alleged derogatory remarks made about a Georgetown University college student by Limbaugh, Lewis Dickey, Jr., CEO of Cumulus estimated that his company lost over \$2 million in advertising revenue because of the alleged remarks and the fact that Cumulus kept airing the Limbaugh. He came to an agreement to stay on with Cumulus and if he had departed, the negative

financial implications for Cumulus and its affiliates would have taken a long time to recover from.

Cumulus does not produce their syndicated shows. As stated in the previous paragraph, Cumulus could have lost millions of dollars and had to find a replacement for Limbaugh who could attract the same volume of listeners and the advertising revenue that was lost.

Cumulus currently airs its content on Clear Channel's iHEART Radio digital format. Although this eliminated the need for Cumulus to develop their own digital brand and sped up their appearance on the internet, it also leaves them vulnerable if Clear Channel decides not to renew the contract. Clear Channel has a vested interest in the advertising revenue that they earn by carrying Cumulus stations however if Cumulus were to make other strategic moves such as acquiring a radio station that would threaten a station owned by Clear Channel, this has the potential to create a problem for Cumulus.

With Cumulus' large scale of operation, they are able to spread fixed costs across 525 radio stations which gives them a competitive financial advantage over smaller station groups or independent stations. This represents possible acquisition opportunities for Cumulus at a lower price vs. buying a group of stations.

Opportunities (External)

Streaming of broadcast radio has increased at a rapid rate and provides an opportunity for Cumulus to expand their digital presence. According to Kinsella (2014), advertising revenues for digital platforms are increasing at 4 times the rate of traditional terrestrial radio station revenue and with the increased popularity of smart phones and

other technology, it makes good economic sense for Cumulus to reap the benefits of a larger digital presence.

Another opportunity would be to purchase exclusive rights or outright buy the shows. If the company had the capability to produce their own shows that would have national appeal, it would reduce their dependence on others and create a valuable brand for Cumulus. Amazon.com (2015) recently produced a sitcom called *Transparent* and won a Golden Globe award for their efforts (Guardian.com, 2015). They continue to carry shows produced by other companies however their dependence on outside sources was diminished with this success.

Currently, Cumulus' content is aired by their own stations, through iHEART radio, and by affiliates. One market that they are missing is satellite radio such as Sirius / XM. Despite the fact that their subscriber population is relatively small, Sirius / XM capable radios are available as standard equipment in many automobiles and the content of Sirius / XM is tailored to a specific sport, news type, or music preference ("Sirius/XM Welcome," 2014). If Cumulus were to air some of their local stations on Sirius / XM, they would not be the first mover because Sirius / XM currently airs a small number of terrestrial broadcast stations (SiriusXM, 2015) however, they would give their loyal listeners the opportunity to listen to their stations when the listener was out of broadcast and cell phone reception range.

Threats (External)

If the strategic alliance with iHEART radio was disrupted, this would leave Cumulus with no digital platform and result in a loss of revenue, listenership, and

possibly show hosts. This threat could be mitigated by learning from iHEART and developing a digital platform on their own.

Although previously mentioned as a weakness, the threat of moving away from local content creates a disconnect between the station and the community. Without local knowledge of a station, it has no differentiation and may cease to exist.

Consolidation in the radio industry has caused a loss of industry jobs (Boyle & Wexler, 2005). The threat to Cumulus from this job loss is the number of people seeking careers in radio will diminish as the demand for their talents is reduced so when Cumulus is acquiring stations and is looking for talent to operate them and produce even a small amount of local content, the talent pool could be very shallow and cause production problems in the future.

A significant threat to Cumulus is the threat of substitutes. Currently, broadcast radio has co-existed with digital platforms however, if an organization with the resources of Apple decided to make a bid for the broadcast radio customer in an expanded role than it currently has with streaming, the financial and creative resources owned by Apple are significant and with their iTunes platform, they could conquest a lot of listeners from broadcast radio. Apple has revolutionized almost every business they've entered and the broadcast radio industry may not be immune to Apple's strength.

Strategic Fit Analysis

The basis of a strategic fit is to determine if the value chain activities and the use of related assets in one company can be employed by another. This is an important consideration for Cumulus because as they acquire new radio stations, they can achieve economies of scale by implementing their value chain and support activity

processes. Their sustainable long-term competitiveness, resulting from a good strategic fit is partially based on how well their specialized value chain activities can be integrated. These specialized value chain activities are the ones that the competition may have difficulty duplicating vs. general activities that are easily copied (Gamble, 2014).

One method used to determine a strategic fit is the use of benchmarking which is a process of comparing the processes or results from one company to those of another. If there is a difference in the outcomes, then the company with the deficiency may decide to implement changes to align their performance with the higher achievement. On the surface, benchmarking sounds like a great idea however it has some flaws which could cause some bad decisions to be made with disastrous results to follow. As an example, the total revenue for iHEART Media (2015) for calendar year 2013 is 6 times higher than that of Cumulus so if there was a benchmark for total revenue and iHEART was the benchmark, Cumulus would appear as a failed company. A more accurate benchmark could be revenue per radio station but this does not take into account, the size of the market and its sales potential. This benchmark also doesn't tell us how the revenue increased. Another benchmarking strategy is to make comparisons between different industries where processes and expenses have some relationship. The location of a radio station office is not as critical as a retail store so if the station was located in a warehouse district, then a benchmark could be established regarding the cost per square foot of a rented space. Another benchmarking process could be handled through a third party where they would collect data from competitors in the same industry and without revealing the sources, this information could be

shared. The takeaway from the use of benchmarking is that it's not always the best way to compare business performance but should be considered as a factor that may require further research to fully understand the results (Gamble, 2014).

There are other assessment tools that can be used is to look at each value chain activity and ask questions. Should the company outsource activities that it's currently performing in-house that might be done more cheaply outside while maintaining quality and supply? Cumulus is doing this with their digital platform agreement with Clear Channel where they've decided that it's more cost effective to use their digital platform rather than develop their own. They've also outsourced the production of shows by airing syndicated programming vs. hiring and producing local shows at every station in their portfolio. Another question would be to centralize certain activities that would save money? As mentioned earlier in this paper, Cumulus' corporate website includes media kits for each market. Rather than having 525 different media kits, Cumulus has a template for each to use which not only saves cost, but presents a uniform message to their customers and has a side benefit of showing professionalism and a united organization. Regardless of which methods are used, the important point is that value chain activities should be focused on creating differentiation that creates barriers to entry and makes duplication more costly than it's worth (Gamble, 2014).

TOWS Analysis

	<p>STRENGTHS – S</p> <ol style="list-style-type: none"> 1. Economies of scale and established processes create seller power for advertising. 2. Domination in certain markets creates high barriers to entry 3. Alliance with iHEART Radio to carry Cumulus' stations on their digital platform 4. Lack of availability of new station licenses increases value of Cumulus owned licenses 5. Diversity of experience in the management team and on the board of directors 	<p>WEAKNESSES – W</p> <ol style="list-style-type: none"> 1. High long term debt to equity ratio affects the ability to borrow capital 2. Reliance on syndicated programming increases supplier power and diminishes differentiation 3. Lack of national-level content production competency creates vulnerability and dependence on producers outside of the company 4. No proprietary digital platform
<p>OPPORTUNITIES – O</p> <ol style="list-style-type: none"> 1. Increasing the use of digital platforms opens stations to large geographic audiences, smart phone and computer listeners, and attracts more advertisers 2. Purchase exclusive rights to air popular talks shows, purchase them outright, or produce them. 3. Produce their own shows 4. Offer to sell programming to Sirius / XM 	<p>SO STRATEGIES</p> <ol style="list-style-type: none"> 1. Strengthen syndicated host contracts limiting them from selling their services outside of the Cumulus network. and sell time to Aha, Pandora, and other web portal providers Explore strategic alliance with Amazon to learn best practices for home-grown productions (S1/S3-O2) 3. Explore agreement with Sirius XM to carry Cumulus programming (S2 – O4) 	<p>WO STRATEGIES</p> <ol style="list-style-type: none"> 1. Exploit every opportunity to expand digital presence to increase advertising revenue and pay down debt (W1-O1) 2. Form a strategic alliance to begin producing shows exclusively aired on Cumulus stations (W2-O3) 3. Gain expertise from syndicated show producers to begin producing Cumulus only shows (W3-O3) 4. Gain expertise from iHEART and develop a Cumulus digital platform (W4 – O1)
<p>THREATS – T</p> <ol style="list-style-type: none"> 1. Disruption in alliance with iHEART radio could result in a high expense to develop and promote a Cumulus proprietary digital platform 2. Movement from local content to syndicated programming jeopardizes station recognition in the community 3. Consolidation reduces demand for many radio station positions which could lead to a decrease in supply of talent 4. Increased capabilities of substitutes such as Apple could reduce the demand for broadcast radio 	<p>ST STRATEGIES</p> <ol style="list-style-type: none"> 1. Strengthen ties with local communities to grow station awareness and increase local advertising revenue (S2 – T2) 2. Develop Cumulus digital platform. (S3 – T1) 3. Create relationships with broadcast schools and fund internships to find new employees (S3 – t3) 	<p>WT STRATEGIES</p> <ol style="list-style-type: none"> 1. Create a long-term plan to curtail agreement with iHEART's digital platform and develop Cumulus platform. (W4 – T1) 2. Dedicate more time to local programming which will boost community connection (W3 – T2)

TOWS Analysis

The TOWS analysis is a useful tool for merging the strengths, weaknesses, opportunities, and threats into a list of alternatives that reflect the relationship between each. As an example, an assessment is made of a certain strength and the objective is to determine how to use that strength to take advantage of an opportunity. Based on the TOWS analysis, here are alternatives to the recommendations generated by TOWS.

Alternatives

Alternative 1 (SO) - Strengthen syndicated host contracts limiting them from selling their services outside of the Cumulus network. Cumulus has several well know talk show hosts however, they have extensive seller power over Cumulus because of their ability to draw a large audience and advertising revenues. As a method of planning for an unexpected departure of one of these hosts through a broken contract or other reasons, Cumulus should be developing their own “home grown” hosts and have a bull pen to draw from. Explore a strategic alliance with Amazon to learn best practices for home-grown productions.

Alternative 2 (SO) – Cumulus has a portfolio of stations that offer diverse formats in an attempt to gain more listeners. One market they aren’t involved in is Satellite radio. The cost of launching their own satellites would be cost prohibitive however, if they could produce an agreement with Sirius XM, it would give them access to the 25 million subscribers who they may not be currently touching (SiriusXM, 2015). They already have the content so it would be as simple as transferring it.

Alternative 3 (WO) – Expand digital presence as a strategy for increasing listenership and advertising revenue and pay down debt to give the company greater

flexibility. The trend towards greater listenership through this media is a signal to adopt an offensive strategy.

Alternative 4 (ST) – develop relationships with broadcast schools and fund internships to help find new employees who among other things, can help carry Cumulus into the digital age. This will also help with their lack of community presence.

Alternative 4 (WO) and (WT) - Use the alliance with iHEART radio to learn how to develop a digital platform and at the same time, begin a project to do so. In addition to technology, Cumulus would have to devise a plan to build itself as a digital platform brand to successfully compete with iHEART. They should also study the effects of selling their content to providers such as Aha and Pandora.

Alternative 5 (ST) and (WT) – consolidation has caused a separation from the local radio stations and the community. In order to gain more awareness of the local stations, create differentiation, and increase advertising revenue. Cumulus stations should provide more local content to rebuild a close personal relationship;

Recommendations

Recommendation number 1

Strengthen the contracts between Cumulus and hosts to reduce the vulnerability and financial consequences if a host breaks the terms of the contract whether voluntarily or involuntarily. As mentioned in the alternative, Cumulus could produce “home grown” programming similar to the process a sports team uses by sending scouts throughout the country to find budding talent and with training and sitting in for vacationing regular hosts, develop new talent.

The timetable for implementing this recommendation is dependent on several factors. Looking at the internal environment, contracts with each talk show host would be analyzed by a Cumulus attorney to determine the time remaining on each contract and obtain a finance department forecast for the amount of annual salary for each year going forward if a new contract was negotiated. Current and projected advertising revenue and the ability of Cumulus to earn a return on investment for its stockholders must also be considered. The external environment would be the next area to review and would include the current amount of listeners, demographic changes, and overall trends for the popularity of the theme of the show. Then, the Board of Directors should appoint at least one member from professional sports or another entity that has an expertise in developing organic talent and consider the investment necessary to begin doing so. The other option is to form a strategic alliance with another broadcaster who could provide some expertise in this area. Well run sports teams have a bull pen to draw from and the broadcast industry could learn from their experience.

Recommendation number 2

Cumulus is far too dependent on iHEART Media for expansion into the digital world. With the growth of this media outpacing terrestrial broadcast radio, Cumulus' sustainable growth requires that it have independence from its main competitor and develop its own digital platform. What are their options?

One option would be a merger with Clear Channel Communications. The combined size of the company would dominate the broadcast radio industry and create barriers to entry that would be very difficult to overcome. This option would likely require some divestiture of stations where there is duplication of ownership in a

particular market and in those markets where the FCC ownership limits are exceeded and as shown in the financial analysis contained in this paper, both companies would benefit by either reducing debt or learning from each other how to increase revenue and margins. The number of stations that would be required to be sold could create another competitor if the purchaser was a group such as CBS, Cox, or another entity with the financial resources to compete. If the merger was approved by the FCC and the number stations was not diminished greatly, then the combined Clear Channel / Cumulus group could use its size to negotiate more favorable contracts with show hosts and virtually every other supplier to the company. This would also give Cumulus an instant digital platform that it owned by virtue of the merger thus eliminating the need to develop it on its own.

The second option would be for Cumulus to acquire or merge with a company that specializes in the development of digital radio platforms. This option would allow Cumulus to remain autonomous and create a more competitive environment that would benefit listeners with content differentiation. The stockholders of these entities may be subject to higher risk because if the power of iHEART is able to create a barrier to entry that cannot be overcome, then Cumulus may deplete its resources using a defensive strategy which could either help Clear Channel by allowing them to purchase the assets of Cumulus at a bargain price or another competitor could emerge and change the competitive landscape of the industry. Given the role that broadcast radio plays in public safety, it's likely that the FCC would intervene and may take other actions that we cannot predict.

Regardless of which recommendation the company chooses, Cumulus should be acting on one or both as soon as possible. With the proliferation of technology changing at a record pace, every day that passes creates additional risk and threatens the survival of the company.

References

Adegoke, Y (2014, May 21). Spotify now has 10 million paid subscribers, 3 million in

U.S. *Billboard biz*. Retrieved from

<http://www.billboard.com/biz/articles/news/digital-and-mobile/6092226/spotify-now-has-10-million-paid-subscribers-3-million>

Arbitron, Inc. / Edison Research/Scarborough Research. (2011). *The road ahead:*

media and entertainment in the car. Retrieved from

<http://www.rab.com/public/reports/The%20Road%20Ahead%202011.pdf>

Best place to live in charleston-north charleston metro area, South Carolina. (2014)

Retrieved from http://www.bestplaces.net/metro/south_carolina/charleston-north_charleston

Boyle, M.& Wexler, C.,(2005). *The fallout from the telecommunications act of 1996:*

unintended consequences and Lessons Learned. Retrieved from

http://www.commoncause.org/research-reports/National_050905_Fallout_From_The_Telecommunications_Act_2.pdf

Businesswire.com (2011, September 16). *Cumulus Media Inc. Announces Completion*

of the Acquisition of Citadel Broadcasting Corporation and Related Global

Refinancing. Retrieved from

<http://www.businesswire.com/news/home/20110916005528/en/Cumulus-Media-Announces-Completion-Acquisition-Citadel-Broadcasting>

Charleston.cumulus.com (2015). *Cumulus radio Charleston market*. Retrieved from

<http://charleston.cumulusradio.com/ALookAtOurStations/StationProfilesInformation/tabid/118/Default.aspx>

Cox Media Group - About. (2014). Retrieved from

<http://www.coxmediagroup.com/about/>

CSRhub.com (2015). *Cumulus media, inc.* Retrieved from

http://www.csrhub.com/CSR_and_sustainability_information/Cumulus-Media-Inc/

Cumulus and Big Machine (2014). Cumulus and big machine label group launch country music label & live events venture under nash icons brand. Retrieved from

http://www.google.com/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=2&cad=rja&uact=8&ved=0CCMQFjAB&url=http%3A%2F%2Fwww.cumulus.com%2Fdownload%2Fpress_releases%2Fnash%2520icons%2520release.pdf&ei=ip3fVN2KlaXbsASC9ICoDA&usq=AFQjCNHb3N4_Sfj6KuBLAfmqSvEDoD_-YA

Cumulus Careers. (2015). *Careers*. Retrieved from <http://www.cumulus.com/careers/>

Cumulus Local Stations. (2015). *Local stations*. Retrieved from

<http://www.cumulus.com/local-radio-2/>

Cumulus Results. (2015). *Results / case studies*. Retrieved from

<http://www.cumulus.com/category/case-study/>

Cumulus Media, Inc. (2014). *Form 10k 2013*. Retrieved from

<http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9859770-320715-325906&type=sect&TabIndex=2&dcn=0001058623-14-000014&nav=1&src=Yahoo>

Cumulus Media, Inc. (2015). *Form 10k 2013*. Retrieved from

<http://www.sec.gov/Archives/edgar/data/1058623/000105862314000014/cmls2013123110k.htm>

Cumulus Media Inc. (2014). *Form 10k annual report 2014*. Retrieved from Edgar online data base at

<http://yahoo.brand.edgar-online.com/DisplayFiling.aspx?TabIndex=2&dcn=0001058623-14-000014&nav=1&src=Yahoo>

Cumulus Company History. (2015). *Company history*. Retrieved from

<http://www.fundinguniverse.com/company-histories/cumulus-media-inc-history/>

Cumulus Media (2015). *Cumulus media networks*. Retrieved from

<http://www.cumulus.com/cumulus-media-network/>

Cumulus Media (2015). *Local radio*. Retrieved from

<http://www.cumulus.com/local-radio-2/>

Cumulus Media, Inc. (2015). *Summary*. Retrieved from

<http://finance.yahoo.com/q?s=cmls&q1=1>

Cumulus Media, Inc. (2015). *2013 Income statement*. Retrieved from

<http://finance.yahoo.com/q/qs?s=CMLS+Income+Statement&annual>

Dang, M. (2013, June 25). How much do you spend on cable/internet each month. *The*

Billfold. Retrieved from [http://thebillfold.com/2013/06/how-much-do-you-spend-](http://thebillfold.com/2013/06/how-much-do-you-spend-on-cableinternet-each-month/)

[on-cableinternet-each-month/](http://thebillfold.com/2013/06/how-much-do-you-spend-on-cableinternet-each-month/)

Deming.org (2015). *The plan do study act cycle*. Retrieved from

<https://www.deming.org/theman/theories/pdsacycle>

(Diaz, J.) 2013. From AM to FM: The latest evolution of local radio. *Sun Sentinel*.

Retrieved from

http://articles.sun-sentinel.com/2013-10-03/news/fl-am-radio-stations-future-20131002_1_stations-sports-radio-fm

Distinctive Competency (2015). Retrieved from

<http://createadvantage.com/glossary/distinctive-competency>

Emmis Communications. (2014, February 11). *Emmis announces acquisition of WBL5-FM & WLIB-AM in New York*. Retrieved from

<http://www.sec.gov/Archives/edgar/data/783005/000078300514000018/exhibit991.htm>

FCC (2015). *Telecommunications act of 1996*. Retrieved from

<http://transition.fcc.gov/Reports/tcom1996.pdf>

FCC News (2014, January 8). *FCC News*. Retrieved from

http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0108/DOC-325039A1.pdf

FCC. (2014). *What We Do*. Retrieved from <http://www.fcc.gov/what-we-do>

F2Q 2014 earnings conference call. (2014, April 23). Retrieved from

<http://www.nasdaq.com/aspx/call-transcript.aspx?StoryId=2159213&Title=apple-ceo-discusses-f2q-2014-results-earnings-call-transcript>

Guskin, E. & Mitchell, A. (2011). Hispanic media: faring better than the mainstream media. *The state of the news media*. Retrieved from

<http://www.stateofthedia.org/2011/hispanic-media-fairing-better-than-the-mainstream-media/>

Golden globes. (2015). *Golden globes 2015: Transparent the clear winner in tv awards*.

Retrieved from <http://www.theguardian.com/tv-and-radio/2015/jan/12/golden-globes-2015-tv-transparent-the-affair-jane-the-virgin-fargo>

How to apply for a radio or television broadcast station. (2014). Retrieved from

<http://www.fcc.gov/guides/how-apply-radio-or-television-broadcast-station#INTRODUCTION>

IHEART Media Inc. (2011). *Clear channel radio and cumulus media join to bring consumers more choice for digital radio and daily deals*. Retrieved from

<http://www.clearchannel.com/pages/Clear-Channel-Radio-And-Cumulus-Media-Join-To-Bring-Consumers-More-Choice-For-Digital-Radio-And-Daily-Deals.aspx>

iHEART Media Inc. (2014). *Ownership*. Retrieved from

<http://investors.morningstar.com/ownership/shareholders-overview.html?t=IHRT>

IHEART Media, Inc. (2015). *Summary*. Retrieved from

<http://finance.yahoo.com/q?s=IHRT>

iHEART Media Inc. (2014). *10k annual report 2014*. Retrieved from Edgar online data base at

<http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9797700-10695-85169&type=sect&TabIndex=2&dcn=0001400891-14-000004&nav=1&src=Yahoo>

Improving your reception. (2014). Retrieved from <http://www.kedm.org/pages/improving-your-reception>

Inside radio (2015). *Lew Dickey, Sr. dies at age 86*. Retrieved from

<http://www.insideradio.com/Article.asp?id=2730194&spid=32061>

- Ipod Touch. (2014). Retrieved from http://store.apple.com/us/buy-ipod/ipod-touch?afid=p238%7CsKVyypZcE-dc_mtid_1870765e38482_pcrd_67154318767_&cid=aos-us-kwg-ipod
- KDKA. (2013). *KDKA the first commercial radio station*. Retrieved from [http://www.ieeeeghn.org/wiki/index.php/KDKA, First Commercial Radio Station](http://www.ieeeeghn.org/wiki/index.php/KDKA,_First_Commercial_Radio_Station)
- Kharif, O. (2008, July 25). The FCC approves XM/ Sirius merger. *Businessweek*. Retrieved from <http://www.businessweek.com/stories/2008-07-25/the-fcc-approves-the-xm-sirius-mergerbusinessweek-business-news-stock-market-and-financial-advice>
- Kinsella, B.(2014). *Streaming is a growth opportunity for broadcast radio*. Retrieved from <http://xappmedia.com/streaming-growth-opportunity-broadcast-radio/#ixzz3N6krtqGc>
- Making a Podcast. (2014). Retrieved from <https://www.apple.com/itunes/podcasts/specs.html>
- Marc, David M. (2000). "Broadcasting, Radio and Television," *Microsoft® Encarta® Online Encyclopedia 2000*. Retrieved from <http://encarta.msn.com>.
- McCoy, A & Sciallo, M. (2013). The rise and decline of AM radio. *Pittsburgh Post-Gazette*. Retrieved from <http://www.post-gazette.com/ae/tv-radio/2013/10/13/The-rise-and-decline-of-AM-radio/stories/201310130063>
- Mitchell, A., Rosenstiel, T, & Santhanam, L.H. (2012). *The state of the news media 2012. An annual report on american journalism*. Retrieved from <http://www.stateofthedia.org/2012/audio-how-far-will-digital-go/audio-by-the-numbers/>

Music for Everyone. (2014). Retrieved from <https://www.spotify.com/us/>

More about Skype TX. (2014). Retrieved from <https://media.skype.com/skype-tx/>

No Radio Towers Tsawwassen. (2014). Retrieved from

<https://www.facebook.com/?react=AQBZ-SXJcu4rcftM#!/NoRadioTowers>

Pandora (2014). *10k annual report 2014*. Retrieved from Edgar online database at

<http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9784429->

[16046-](http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9784429-16046-)

[57114&type=sect&TabIndex=2&companyid=405127&ppu=%252fdefault.aspx%2](http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9784429-16046-57114&type=sect&TabIndex=2&companyid=405127&ppu=%252fdefault.aspx%2)

[53fcik%253d1230276](http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9784429-16046-57114&type=sect&TabIndex=2&companyid=405127&ppu=%252fdefault.aspx%253dcik%253d1230276)

Pappentick, Lucy S (n.d). *WQRZ – a real lifesaver*. Retrieved from

<http://prometheusradio.org/node/2578>

Polaroid 19GSR3000. (2014). Retrieved from <http://www.bestbuy.com/site/polaroid-19->

[720p-led-lcd-tv-169-multi/1310560406.p?id=mp1310560406&skuld=1310560406](http://www.bestbuy.com/site/polaroid-19-720p-led-lcd-tv-169-multi/1310560406.p?id=mp1310560406&skuld=1310560406)

FAA. (2014). *Potential flight hazards*. Retrieved from

http://www.faa.gov/air_traffic/publications/atpubs/aim/aim0705.html

PDCA (2015). *Deming Cycle*. Retrieved from

http://www.mindtools.com/pages/article/newPPM_89.htm

Politico.com (2013). *Cumulus planning to drop Rush Limbaugh, Sean Hannity*.

Retrieved from <http://www.politico.com/blogs/media/2013/07/cumulus-planning->

[to-drop-rush-limbaugh-sean-hannity-169371.html](http://www.politico.com/blogs/media/2013/07/cumulus-planning-to-drop-rush-limbaugh-sean-hannity-169371.html)

Pressman, A. (2014, July, 16). Spotify isn't going public any time soon. *Yahoo Finance*.

Retrieved from <http://finance.yahoo.com/news/spotify-isn-t-going-public-anytime->

[soon-183333765.html](http://finance.yahoo.com/news/spotify-isn-t-going-public-anytime-soon-183333765.html)

Radioworld (2002). *Cumulus: the comeback kid*. Retrieved from

<http://www.radioworld.com/article/cumulus-the-comeback-kid/17474>

Radio advertising rates. (2014). Retrieved from <http://1490wwpr.com/radio-advertising-rates/>

Radio frequency safety. (2013). Retrieved from <http://www.fcc.gov/encyclopedia/radio-frequency-safety>

Rockofsavannah.net (2015). Website front page. Retrieved from

<http://www.rockofsavannah.net/>

Ruben, M.K. (2010). *Radio activity: the 100th anniversary of public broadcasting*.

Retrieved from <http://www.smithsonianmag.com/history/radio-activity-the-100th-anniversary-of-public-broadcasting-6555594/?no-ist>

Salem Communications History. (2014). Retrieved from <http://salem.cc/about-us/history/>

Savannah.cumulusradio.com (2015). *Savannah market media kit*. Retrieved from

<http://savannah.cumulusradio.com/Portals/0/GA-Savannah/MediaKits/CLUSTER-MEDIA-KIT.pdf>

Scott, C.E. (n.d.). *The History of the Radio Industry in the United States to 1940*.

Retrieved from <http://eh.net/encyclopedia/the-history-of-the-radio-industry-in-the-united-states-to-1940/>

Sirius/XM (2014). *Welcome*. Retrieved from

http://www.siriusxm.com/getstartednow?utm_source=SEM_Google_SiriusXM&utm_medium=SEM_default&utm_campaign=SEM_Google_Brand&IgnitionOne=SI622348404_34129209733_1

SiriusXM (2015). *What is SiriusXM?* Retrieved from

<http://www.siriusxm.com/whatissiriusxm>

Sisario, B. (2013). Cumulus media will buy a radio syndicator. *New York Times*.

Retrieved from http://www.nytimes.com/2013/08/31/business/media/cumulus-media-will-buy-a-radio-syndicator.html?_r=0

Sony ICF-S10MK2. (2014). Retrieved from

http://www.amazon.com/Sony-ICF-S10MK2-Pocket-Radio-Silver/dp/B00020S7XK/ref=sr_1_1?s=electronics&ie=UTF8&qid=1419425581&sr=1-1&keywords=am+radio#customerReviews

Spanish speaking radio stations (2014). Retrieved from [http://radio-locator.com/cgi-](http://radio-locator.com/cgi-bin/finder?format=spa&s=R&sr=Y)

[bin/finder?format=spa&s=R&sr=Y](http://radio-locator.com/cgi-bin/finder?format=spa&s=R&sr=Y)

Standard and Poor's (2015). *Actions and criteria of cumulus media*. Retrieved from

https://www.standardandpoors.com/en_US/web/guest/ratings/entity/-/org-details/sectorCode/CORP/entityId/324702

State of Media. (2014). *State of media: audio today 2014* Retrieved from

<http://www.nielsen.com/us/en/insights/reports/2014/state-of-the-media-audio-today-2014.html>

Stromberg, J. (2011). *The transistor radio launches the portable electronic age*.

Retrieved from <http://www.smithsonianmag.com/smithsonian-institution/the-transistor-radio-launches-the-portable-electronic-age-110761753/>

The Arizona Republic.(2014). *Subscriptions*. Retrieved from

<https://fullaccess.azcentral.com/newstart/HOMEPAGEBAN?onSuccessRedirectURL=http%3A%2F%2Fwww.azcentral.com%2F>

Time Warner Cable. (2015). *Digital cable & TV plans*. Retrieved from

<https://www.timewarnercable.com/en/plans-packages/tv/digital-cable-tv-plans.html>

Tristani, G. (1998). *Keeping the local in local radio*. Remarks given before the Texas broadcasters association on September 3, 1998. Retrieved from:

<http://transition.fcc.gov/Speeches/Tristani/spgt811.html>

Vermont AM value priced fulltime community station in VT, automated, adult standards, profitable, low operating costs, County Seat. \$250,000. (2015).

Retrieved from <http://www.radiostationsforsale.net/>

West, G. (2011). FM radio: why did it take so long to catch on? *Pop culture radio*

history. Retrieved from <http://www.mrpopculture.com/thereport/fm-radio-why-did-it-take-so-long-to-catch-on-pop-culture-radio-history/>

Whatcom county hearing examiner. *Re: zoning conditional approval permit for BBC broadcasting, inc.* (2014). Retrieved from

http://www.co.whatcom.wa.us/council/hearing_examiner/decisions/2014/bbcbroadcasting.pdf

WSB. (2015). *Program schedule*. Retrieved from

<http://www.wsbradio.com/news/entertainment/newstalk-wsb-program-schedule/ncjn/>

WTMA (2014). *Weekly program schedule*. Retrieved from

<http://www.wtma.com/common/more.php?m=10&mode=schedule&r=2>

Younger, J. (2012, May 29). Remote broadcast setup by request. Retrieved from

<https://www.youtube.com/watch?v=BklhLefbx9w>

FHWA. (2013). *2013 status of the nation's highways, bridges, and transit: conditions & performance*. Retrieved from

<http://www.fhwa.dot.gov/policy/2013cpr/chap1.htm#2>