

Pay for play

Why does radio suck? Because most stations play only the songs the record companies pay them to. And things are going to get worse.

By Eric Boehlert

March 14, 2001 | Does radio seem bad these days? Do all the hits sound the same, all the stars seem like cookie cutouts of one another?

It's because they do, and they are.

Why? Listeners may not realize it, but radio today is largely bought by the record companies. Most rock and Top 40 stations get paid to play the songs they spin by the companies that manufacture the records.

But it's not payola -- exactly. Here's how it works.

Standing between the record companies and the radio stations is a legendary team of industry players called independent record promoters, or "indies."

The indies are the shadowy middlemen record companies will pay hundreds of millions of dollars to this year to get songs played on the radio. Indies align themselves with certain radio stations by promising the stations "promotional payments" in the six figures. Then, every time the radio station adds a Shaggy or Madonna or Janet Jackson song to its playlist, the indie gets paid by the record label.

Indies are not the guys U2 or Destiny's Child thanked on Grammys night, but everyone in the business, artists included, understands that the indies make or break careers.

"It's a big fucking mudball," complains one radio veteran.

At first glance, the indies are just the people who grease the gears in a typical mechanism connecting wholesaler with retailer. After all, Pepsi distributors, for example, pay for placement in grocery stores, right?

Except that radio isn't really retail -- that's what the record stores are. Radio is an entity unique to the music industry. It's an independent force that, much to the industry's chagrin, represents the one tried-and-true way record companies know to sell their product.

Small wonder that the industry for decades has used money in various ways to influence what radio stations play. The days are long gone when a DJ made an impulse decision about what song to spin. The music industry is a \$12 billion-a-year business; today, nearly every commercial music station in the country has an indie guarding its playlist. And for that right, the indie shells out hundreds of thousands of dollars a year to individual stations -- and collects a lot more from the major record labels.

Indeed, say many industry observers, very little of what we hear on today's radio stations isn't bought, one way or another.

The indie promoter was once a tireless hustler, the lobbyist who worked the phones on behalf of record companies, cajoling station jocks and program directors, or P.D.s, to add a new song to their playlists. Sure, once in a while the indies showed their appreciation by sending some cocaine or hookers to station employees, but the colorful crew of fix-it men were basically providing a service: forging relationships with the gatekeepers in the complex world of radio, and turning that service into a deceptively simple and lucrative business. If record companies wanted access to radio, they had to pay.

In the 1990s, however, Washington moved steadily to deregulate the radio industry. Among other things, it removed most of America's decades-old restrictions on ownership. Today, the top three broadcasters control at least 60 percent of the stations in the top 100 markets in the U.S.

As that happened, indie promoters became big business.

Drugs and hookers are out; detailed invoices are in. Where indies were once scattered across the country, claiming a few dozen stations within a geographic territory, today's big firms stretch coast to coast, with hundreds of exclusive stations in every major format.

In effect, they've become an extraordinarily expensive phalanx of toll collectors who bill the record company every time a new song is added to a station's playlist.

And the indies do not come cheap.

There are 10,000 commercial radio stations in the United States; record companies rely on approximately 1,000 of the largest to create hits and sell records. Each of those 1,000 stations adds roughly three new songs to its playlist each week. The indies get paid for every one: \$1,000 on average for an "add" at a Top 40 or rock station, but as high as \$6,000 or \$8,000 under certain circumstances.

That's a minimum \$3 million worth of indie invoices sent out each week.

Now there's a new and more ominous development. There are rampant industry rumors that Clear Channel Communications, the country's largest radio station owner, is on the verge of formalizing a strategic alliance with one of the biggest indie promotion firms, Tri State Promotions & Marketing. The Cincinnati indie company has been closely aligned with the radio chain for years; now, sources suggest, Clear Channel will be using Tri State exclusively for the company's hundreds of music stations.

If the talk proves to be true, the move would dramatically alter radio's landscape in several ways -- and raise new questions about the effect of the nation's payola laws at a time when the Federal Communications Commission has seemingly given up on regulating radio.

According to the FCC, there's nothing wrong with a radio station's accepting money in exchange for playing a song. The payment only becomes payola -- and illegal -- if the station fails to inform listeners about the cash changing hands.

But stations, of course, are reluctant to pepper their programming with announcements like "The previous Ricky Martin single was paid for by Sony Records." Besides that, stations want to maintain the illusion that they sift through stacks of records and pick out only the best ones for their listeners.

The secretive, and at times unseemly, indie system has been in place for decades. Rock radio pioneer Alan Freed was convicted in 1960 for accepting bribes in exchange for playing records. (What became known as the payola laws were passed as a response soon afterward.) More recently, legendary indie heavyweight Joe Isgro battled prosecutors for nearly a decade over payola-related charges before they were dismissed in 1996.

Isgro's tale of money, drugs and the mob was told in "Hit Men," Fredric Dannen's revealing 1991 book about the world of independent promoters and the extraordinary power they wielded over record companies.

Amazingly, says one radio veteran, "nothing's changed since 'Hit Men.' The cast of characters is different, but nothing's really changed."

One major-label V.P. agrees: "It's only changed color and form, but in essence it's the same. It's nothing but bullshit and operators and wasted money. But it's very intricate, and the system has been laid down for years."

Some in the increasingly sophisticated and global music business wonder if the time has finally come to break free from the costly chains of independent promotion. After all, no other entertainment industry vests so much power and pays so much money to outside sources who do so little work. Yet just-released figures indicate music sales were soft last year. Will record companies have the power, or the nerve, to walk away?

"Labels claim they're trying to cut back on indies, but everybody just laughs," says one radio veteran, who has both programmed stations and done indie promotion work. (He, like most of the people interviewed for this story, asked that his name not be used.) Adds another veteran: "Labels are pissed off and want to cut back, but they're powerless to do anything about it."

"The labels have created a monster," agrees longtime artist manager Ron Stone. Nevertheless, Stone views indies as an important insurance policy for his clients. "I never want to find out after the fact that we should've hired this indie or that indie. I want to cover all the bases."

"Because you only get 12 weeks for your record to get any traction at radio. After 12 weeks the next wave of record company singles come over the breach and if you don't have any traction you get washed away. But now it's become even more complicated and expensive because of consolidation. It's a high-stakes poker game."

Playing off record industry insecurities, indies have been winning this poker game for decades.

The Clear Channel/Tri State move would be a watershed. Arguably the most powerful force in the music business, Clear Channel's multibillion-dollar assets include 60 percent of the United States' rock-radio business and the leading Top 40 stations in major markets across the country, including KIIS Los Angeles, WHTZ New York, WJMN Boston, WKSC-FM Chicago, KHKS-FM Dallas and WHYI Miami. The company also has extensive holdings in concert venues, concert production firms and outdoor advertising companies, stemming from its merger with the SFX conglomerate last year.

In that arena, Tri State would appear to be a minor player. But by maintaining a close relationship with Clear Channel as the conglomerate mushroomed and bought hundreds of new radio stations in recent years, Tri State has become synonymous with Clear Channel in the industry.

That relationship has translated into power and wealth. "Tri State's billings are probably up more than 1,000 percent since deregulation, considering how many more stations they have influence over," says one indie promoter.

Tri State's chiefs, Lenny Lyons and Bill Scull, did not return phone calls seeking comment.

Clear Channel stations not already using Tri State exclusively are likely to have to terminate their contracts with indie competitors, such as longtime powerhouse Jeff McClusky & Associates. That already may be happening. "They're clearing the decks," says one person who works at a major-label radio promotion department. (McClusky declined to comment.)

The move could mean higher indie fees for record companies. Tri State was charging labels \$1,000 an add at some stations, but sources say those rates could jump considerably if Clear Channel and Tri State join forces.

Indeed, particularly in this deregulatory era, Clear Channel can basically charge whatever it wants. Why? Because record companies realize they can't create a hit without help from the conglomerate.

With that kind of clout, Clear Channel, through Tri State, could institute national buys for new singles. "Labels would pay \$100,000 or \$200,000 to get a single added to all the Clear Channel format stations one week," suggests one radio source. "And if they don't pay, there is no chance in hell they're getting that song on the radio without Tri State. If it's not on the list, it's not on stations."

And if the song isn't played on the radio, chances are it's not going to make the record company any money.

That raises real red flags at the record companies. "Tolls go up if there's only one road into town. And today you cannot have a hit record without Clear Channel or Tri State," says one record company president whose label recently scored a top-five hit on pop radio with the help of indie promoters. "That allows for an abusive type of toll collections. It seems to be

getting out of hand. It's creating burdensome costs and it's screwing with the economics of the music business."

And perhaps most important, any long-term deal between Clear Channel and Tri State would essentially eliminate the all-important middleman. Record companies would instead be paying Tri State for airplay on Clear Channel stations. "That would put it into the realm of payola," says one record company promotion exec.

Clear Channel CEO Randy Michaels recently told the Los Angeles Times that the company does want a piece of the promotional pie, but only through an odd new twist: It plans to sell promotional packages to record companies that would identify the artist after each song is played.

But in a business swimming in money, some doubt things could become that cut and dried. For instance, what Clear Channel is proposing is something stations usually do for free; it's called "back-announcing," letting listeners know which artist they just heard. Will Clear Channel stations now only I.D. songs if the labels pay for the service?

"It sounds like extortion to me," says a former programmer. (Clear Channel executives were not available for comment.)

If the practice takes hold, look for competing groups, like Viacom's Infinity Broadcasting, to start hitting up labels for similar commercial buys. "It will throw the whole system into chaos," fears one indie.

The indies' power illustrates just how crucial radio, especially Top 40, is in generating CD sales. (U.S. consumers bought more than 700 million CDs last year.) Steady touring, an Internet presence, glowing press and MTV help, of course, but mainstream radio play is still the engine that drives the music business.

Yet radio has traditionally been a brood of literally thousands of sometimes sparring siblings, each typically run by a P.D. with high self-regard.

The problem for record companies has always been that there are too many radio stations -- and too many egos -- nationwide for label staffers to keep close tabs on. So they need to hire indies, people with close business relationships in different markets. (Third-party indies have traditionally insulated labels from direct involvement in any payola activity as well.)

Here's how the game is played today:

The reality is, disc jockeys were cut out of music-making decisions at stations many years ago. Virtually all commercial radio airplay is determined by program directors, who typically construct elaborate schedules directing the DJs what to play and when.

Today, thanks to consolidation, even station program directors often get their playlist cues from above -- from general managers, station owners or, in this age of consolidation, regional program directors.

So many indies no longer bother to target the P.D.s. Instead, they go straight to the general managers or owners and cut deals, typically guaranteeing a station in a medium-sized market roughly \$75,000 to \$100,000 annually in what is termed "promotional support." The station claims that the money goes to buying new station vans, T-shirts or giveaway prizes; in reality, the station spends the cash any way it wants.

That payment makes the indie the station's exclusive point man, the only one (or at least the first one) its programmers will talk to about adding new singles. Once that indie has "claimed" a station, he (there are very few shes in the business) sends out a notice to record companies, letting them know he will invoice them every time the station adds a song to its playlist.

"The truth is, you could making a handsome living, and have a gigantic house in Greenville, S.C., for instance, if you have just six exclusive stations there," explains one industry veteran. (Arbitron ranks Greenville as the 61st largest radio market, with a metro population of 750,000.) "You could gross between half a million and 1 million dollars each year. That's with no staff -- just a couple of phones and a fax machine. Because somebody is going to pay you \$1,000 every time one of those Greenville stations adds a song. And that \$1,000 is just the average. Columbia records may be dying to get a single on, so they say, 'We'll pay you \$2,500 for this add.'"

Do the math: six stations in a market like Greenville adding three songs a week, 50 weeks of the year. That represents about \$900,000 worth of invoiced adds. If the indie is paying each station \$75,000 a year in "promotional support," that leaves him with \$450,000.

But that's just the beginning. There are additional sources of indie income, including retainers, "bill-backs" and "spin maintenance." Along with being paid on a per-add basis, some indies earn a retainer (roughly \$800 a week) just to call stations on behalf of a song. Bill-backs are essentially second invoices -- to cover "promotional purposes" -- that indies send to record companies on top of the one for the add. If the add cost \$2,000, the indie often sends a \$1,000 bill-back invoice as well.

Meanwhile, the cost of the add covers just that: getting the song added to the playlist. If labels want to increase the spins (or number of times a song is played each week), that costs money, too. "There are spin programs you can buy," explains one record company source, such as "\$4,000 to make the song top 15 at the station."

In the past, if indies wanted to increase their billings by getting stations to add more songs, they could employ "paper adds." Stations would notify labels that a song was on the playlist so the indie got paid, but in reality the single never got spun. Today, however, all key radio stations are monitored electronically by a company called Broadcast Data Service, which gives labels a detailed readout of actual airplay. Paper adds no longer pass the test.

The solution? A so-called lunar rotation.

"I've got one station that during crunch time in September and October, when every label is desperate for fourth-quarter adds, will do eight adds a week for four weeks in a row at \$2,000

a pop," says one label source. That's 32 added songs -- and \$64,000 in indie invoices -- for just one month. But the station's playlist could never support that many new songs. (With today's tightly controlled playlists, any new song is a risk that can cause listeners to switch to a channel with an older and more comforting hit.)

Most of these new "adds" are played only in the early-morning hours, or in the "lunar rotation." They are detected by BDS, but don't really affect the station's playlist or ratings.

For record companies, indie costs can be staggering. Just to launch a single at rock radio over several weeks can cost between \$100,000 and \$250,000 in indie fees. What exactly do labels get in return? "I'll be damned if I know," says artist manager Stone. "It's bizarre." (Labels can sometimes get artists to pay the indie promotion costs, but not always.)

Regardless, the No. 1 rule of radio promotion is that the indie always gets paid. Even if rock programmers discover a good song by a new band on their own, and add it to their playlists because they like it, the station's indie gets paid for it.

Even if someone at Universal Records persuades a pop station to play Nelly's new single "Ride Wit Me," the indie gets paid. Even if the song is a sure hit that needs almost no promotion, like Aerosmith's latest, "Jaded," the indie gets paid. "Either way the invoices arrive and you pay, in the interest of keeping everybody happy," says one former programmer.

The fear is that if a label tangles with an indie over billing, he could torpedo the label's next project by bad-mouthing a new single or keeping it off the air until his previous invoice is paid.

As messy as the relationship can be, the third-party arrangement between labels, indies and stations is crucial for appearance' sake. Today, indies pay stations for "access," not airplay. At least in theory.

"Everyone says indies don't force stations to add records. That's ridiculous," says one rock programmer who has worked in a Top 10 market. "Because [if there is friction] the indie will get on the phone with the station G.M. and say, 'Look, your P.D. has not been cooperative over the last few months on adds I need.' The G.M. either says to the indie, 'Our relationship is about access, not influence,' or he caves. Most G.M.s cave and have a word with the P.D.: 'Look, we have \$100,000 a year riding on this relationship with our indie.' Then suddenly -- bam -- a song you know the P.D. hates shows up on the air."

"Record companies say, 'We're not doing anything illegal; we're just paying indies to promote the records,'" says another programmer. "And indies say we're not doing anything wrong; we're just helping market a radio station. Everybody toes the company line on this.

"But indies are like money launderers; they make sure record company money gets to radio stations, but in a different form."

About the writer

Eric Boehlert is a senior writer at Salon.