1995 purchased WKYS-FM in Washington for $34.0 million—the largest acquisition in the company's history at the time. WKYS-FM presented an exciting opportunity because the station had been No. 1 in its market but had fallen to No. 13 by the time of the acquisition.

Also in 1995, Liggins discovered an opportunity to introduce a new radio station to the Atlanta, Georgia, market. Liggins believed that the Atlanta market and its growing African-American population provided a profitable opportunity. But Hughes and the other members of Radio One's board of directors thought that the company needed to focus on its newly acquired stations. Sure in his convictions, Liggins formed a separate company to purchase an Atlanta station for approximately $5 million. In June 1995, Radio One of Atlanta introduced WHTA-FM.

By the end of 1996, WKYS had achieved a No. 2 ranking in Washington, and one of the acquired Baltimore stations, WERQ-FM, had become the No. 1 station in its market. By 1998, Liggins's Atlanta-based WHTA was ranked No. 4.[3] The WHTA affiliate and its sister station WAMJ-FM were later purchased by Radio One and became wholly owned subsidiaries of the company in March 1999. (Exhibit 2 summarizes Radio One's acquisition activity.)

Corporate Strategy

Radio One's strategy was to "provide urban-oriented music, entertainment, and information to a primarily African-American audience in as many major markets as possible."[4] Hughes and Liggins believed that radio broadcasting primarily targeting African-Americans had significant growth potential. As Exhibit 3 summarizes, African-Americans were the largest minority group in the United States and were expected to experience 60% faster population growth than the general population between 1995 and 2010. African-Americans also experienced 150% faster income growth between 1980 and 1995, and listened to the radio on average 24% longer than the general population.[5]

Radio One pursued a clustering strategy within each market by acquiring two or more stations that targeted different demographic segments within the African-American population. In Detroit, for example, the company owns WDTJ-FM, targeting the 18–34 demographic, WDMK-FM, targeting the 25–54 demographic, and WCHB-AM, a talk radio station targeting the 35–64 demographic. To build clusters, Radio One acquired underperforming stations in the top 50 African-American markets.[6] Liggins and Royster worked together to cut costs and create efficiencies. Radio One centralized certain functions, including finance, accounting, legal, human resources management, information systems, and overall program management. The programming itself was left to local managers with strong oversight from the company's vice president of programming.

Liggins and the company's sales executives worked to convert audience share ratings into advertising revenue. Although minority-targeted advertising dollars lagged behind those of the general population, Radio One was able to use its multiple stations to sell more advertising by targeting the African-American market. Power ratios, calculated as revenue share divided by audience share, indicated how much of the total radio advertising dollars in a particular market was being captured by a particular station relative to its audience share. Historically, advertisers had not been willing to pay as much

[3]Company reports.

[4]Ibid.

[5]The company estimated that African-Americans listened to the radio for 27.2 hours per week and the general population listened for 22.0 hours per week.

[6]Radio One also made acquisitions in existing markets where expanded coverage was desirable and in new markets where they believed it was advantageous to have a presence.