

Competition Builds For Radio's Future

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-By Katy Bachman

RADIO At last week's annual Consumer Electronics Show in Las Vegas, it wasn't quite a shoot-out between traditional radio and new radio technologies, but it came close. While satellite radio companies XM and Sirius spared no expense in trotting out their big guns, 21 of the nation's largest radio groups—such as Clear Channel, Entercom, ABC Radio, Greater Media, Cumulus Media and Infinity Broadcasting—announced a plan to accelerate the conversion of 2,000 radio stations to high-definition radio during the next three years, ultimately bringing the service to all top 100 markets.

Amid all the high-tech swirl at CES, it was XM and Sirius that stole the show with the kind of show-biz flare more often seen at TV conventions such as NATPE. At XM's booth, there were appearances by big names in music and sports such as Ludacris, Cal Ripken Jr., and Pete Rose. Over at Sirius, newly appointed CEO Mel Karmazin—who has near-celebrity status on Wall Street and brought almost as much buzz to the satcaster as former Infinity colleague Howard Stern, who will jump over to Sirius in January 2006—held a press conference bedecked with Dallas Cowboy cheerleaders.

In general, one needed a scorecard just to track all the new satellite radio receivers and features that allow consumers to get satellite radio just about every place they can get traditional radio. Next-generation radio services were also introduced. For example, Sirius closed a deal with Microsoft to launch two or three channels of premium video content targeting young children by the second half of 2006.

Radio broadcasters are taking notice, even as they downplay the threat. "The satellite companies have done a remarkable job of creating this wonderful image that it's pervasive, that satellite radio is everywhere, when in reality it's up to only 4.5 million subscribers," said Jeff Smulyan, president/CEO of Emmis Communications, during the company's third-quarter conference call last week.

Although satellite radio's 4.5 million subs may only represent a fraction of radio's 290 million weekly listeners, the number of satellite subs is expected to almost double this year. On Christmas Day alone, more than 50,000 subscribers signed up for XM, which expects to have 5.5 million by year's end. Sirius expects to double its 1.1 million subscribers. If both hit their projections, there will be 7.7 million satellite radio subscribers by 2006.

Compared with satellite radio, HD radio, which offers superior sound as well as interactive capabilities for transmitting all sorts of data and information, is just getting started. So far, of the 500 radio stations that have licensed the technology, only 200

currently broadcast in HD radio, the digital radio technology developed by iBiquity Digital Corp.

While satellite radio has receivers and equipment flooding the marketplace, the number of HD radios that have been sold is about 10,000. And, like the first-generation HDTV sets, HD radios have not been cheap, with prices ranging from \$500 to \$1,000.

But this year, as the receiver manufacturers roll out more and cheaper models and iBiquity works on cutting deals with car manufacturers, HD radio could become far more competitive.

The commitment from the broadcasters "coupled with the promotional activity that will go with it, will uptick consumer demand," said Bob Struble, president/CEO of iBiquity Digital, the sole licensor of HD radio technology. By the end of the year, Struble predicts there will be at least 600 HD radio stations, covering 80 percent of the U.S. and about 100,000 HD radios sold. Smulyan added, "We think this is one of those opportunities for game-changing in the radio business."

Getting the word out to consumers will be up to the 13,000 terrestrial radio stations. If they combine forces, it could be a powerful marketing engine. "They aren't going to spend \$200 million-plus and not tell anyone about it. It's the largest collective investment ever made by the radio broadcasters," Struble said.

Stations are busy planning giveaways and promotions with retailers. "HD radio went from being an engineering thing to something everyone understands a little better. We've brainstormed how we're going to promote something nobody can hear," said Mike O'Brian, program director of KSTJ-FM, Beasley Broadcast's adult contemporary station in Las Vegas that served as the demo HD radio station for CES.

While broadcasters focus on selling consumers on the benefits of HD radio, satellite radio companies have been turning their attention to content. Armed with enough subscribers, they've begun to convince traditional radio personalities like Stern to put their shows on the bird. Last week, Dr. Laura Schlessinger and G. Gordon Liddy added XM to their traditional radio-station distribution, joining a growing number of radio personalities.

In the run-up to the start of its \$650 million, 11-year deal to carry Major League Baseball beginning in March (satellite sports-rights deals have also been cut at a furious pace), XM also announced it will debut a daily radio show in February hosted by Washington Post columnist Tony Kornheiser. Kevin Kennedy, long-time TV anchor for Fox's baseball coverage and the former manager of the Boston Red Sox and Texas Rangers, will also host a show on XM.

Overlooked in the growing competition between traditional and satellite radio is Internet radio, which is getting new attention since Arbitron revitalized its Internet radio ratings service, quantifying the size of the audience at 4.1 million, which is on par with satellite radio's 4.5 million subscriber base.

