

Internet, Satellite Sales Here To Stay

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-By Katy Bachman

Radio

As the network radio upfront gets underway, Internet radio and satellite radio this year are officially players after bum-rushing the marketplace last year to steal share. Now, advertisers such as Pfizer, Geico and Procter & Gamble have included both satellite and Internet radio in their radio budgets. Walgreens and Home Depot, which have already made their buys in traditional network radio are considering the new media as well.

While neither Internet nor satellite radio is likely to overtake traditional network radio buys anytime soon, both are becoming strong options and could help wake up the sleepy radio segment, down 2.6 percent last year.

The two are even causing a change of titles at agencies. "We look at [satellite radio and online radio] as part of radio and as an enhancement for what we're doing," said Chris Fontana, whose title at MediaVest changed to vp, group director of national/local audio investment and activation, from vp, group director of network radio.

"Last year we crashed the upfront party by sheer force of will, and this year we've been invited to participate," said Eric Ronning, managing partner of Ronning Lipset Radio, which represents top five Internet radio networks: Yahoo Music/Launchcast, MSN Radio, Live365, Clear Channel Online Music and Radio and AOL Radio. Compared to last year, about 30 percent of this year's upfront orders are from advertisers new to online radio, Ronning added.

Satellite is also fine-tuning its pitch. Today (Oct. 9), XM Satellite Radio is hosting an upfront presentation, capped off by a Sting concert from XM's Artist Confidential series.

"We'll never replace network radio, but we've reached a critical mass that has great appeal to national advertisers," said D. Scott Karnedy, senior vp of sales/marketing solutions for XM. Thanks to new programming such as Oprah & Friends, XM sales to date have exceeded \$30 million, up from \$20 million for all of 2005. "We're anticipating a much higher sellout than last year, similar to traditional networks' 30 to 40 percent," Karnedy said.

XM rival Sirius Satellite Radio is also bullish headed in to the upfront. "Every day is an upfront here," said Scott Greenstein, president of entertainment and sports for Sirius, home of Howard Stern and radio coverage of the National Football League. "Some of the money is coming out of network radio, some of it from local and we're developing new

advertisers," he said. As of Aug. 1, Sirius had booked \$22 million in advertising from advertisers such as P&G, Heineken, Verizon and HBO, compared to \$6 million for all of 2005.

Whether or not satellite radio and streaming will increase or fragment radio budgets is hard to gauge. Most advertisers include satellite radio as part of radio budgets, but money for streaming radio is just as likely to come out of an interactive budget. Some buyers estimate that as many as one third of national radio advertisers are spending as much as 10 percent of their radio budget on Internet and satellite radio, up from 5 percent last year.

In many cases, Internet and satellite radio are taking dollars from traditional radio networks, which expect the market to be flat. If it wasn't for network Web sites providing an interactive dimension to traditional buys, the market could be down. "Satellite and online have put a halo on radio that wouldn't exist without them," said Natalie Swed Stone, director of national radio for OMD, who added networks are putting together some very creative new media options.

For certain network brands that have a strong multiplatform profile, such as ESPN Radio, sales are up. "Most of our advertisers, and even some of our smaller advertisers, buy across different platforms," said John Fitzgerald, vp of sales for ESPN Radio. "When you take into account money invested in network radio, Internet radio and satellite radio, radio is a robust business."

The appeal of these alternatives is not in the raw numbers, but in the ability to offer things to marketers traditional network radio can't, such as visual and interactive elements that create a more engaged audience. "Listeners can interact, buy product or find a local dealer, and that's what's resonating with advertisers," said Andy Lipset, Ronning Lipset's other managing partner.

The environment is also a lot less cluttered with spotloads limited to half the terrestrial minutes per hour on satellite radio, and three to seven units per hour on Internet radio. "We've run :30s, :60s, :90s, five-minute spots and hour-long shows. It runs the gamut," said Karnedy. One fast-food chain even bought out the entire inventory of one Clear Channel XM music channel for two months.

Online radio has been the easiest to integrate into radio plans. Like network radio, it aggregates demos across channels and uses the same metrics. But it's satellite's strong brands that advertisers find most appealing, and that puts buyers in a quandary. Even though XM offers customized studies through Arbitron and Sirius conducts surveys through TNS, it's not enough for buyers who want all three on the same platform. "It definitely limits our [satellite radio] investment due to the lack of accountability," said one national advertiser who requested anonymity. "The content is absolutely fantastic, but if so few people hear it, it doesn't matter how good it is."