

# RADIO INTELLIGENCE

June 2006 - Vol. 2

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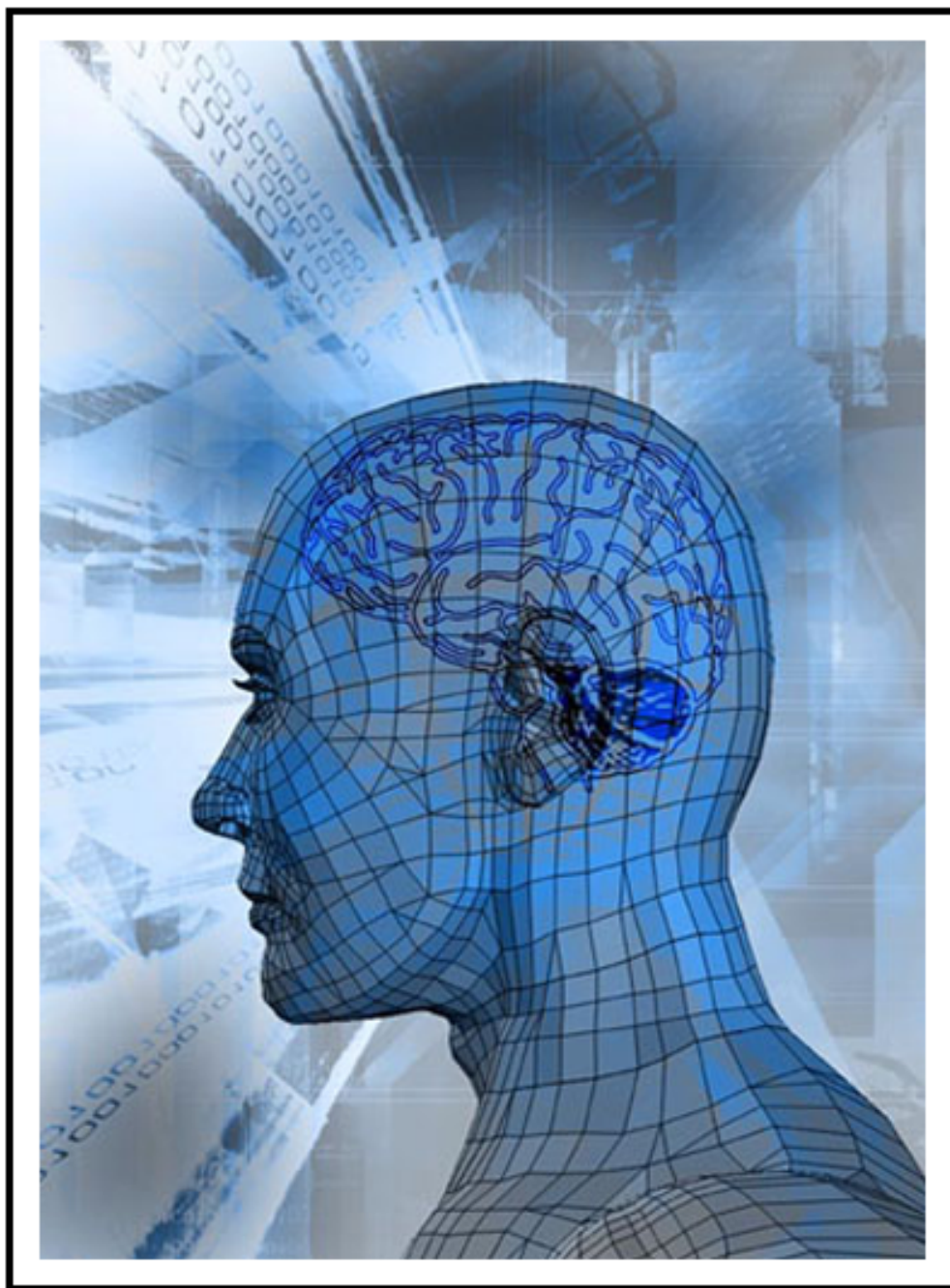
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It's Not Technology. It's a Revolution.

# HD RADIO

# HD Radio: It's Not Technology. It's a Revolution.

By Sean Clark, Sr. Vice President/National Marketing, Radio Advertising Bureau

Marketers often speak of a media channel malaise in the off-line media industry. To a certain extent, they're right. Most major media have been at a standstill while fluidity of information has brought a radically democratized society. Consumers enjoy unprecedented power developing their own options for engaging in both traditional and less traditional media. Many advertisers (and those who create it) have chosen to gravitate to the new and different based only on the fact that it is, well, new and different. Others, while stumping that "Change must take place; think differently and innovate," perceive and execute against media the same way they did 25 years ago.

But whose fault is it that major media types have remained stagnant: the collective buyers of media or the sellers? The answer is, both. The buyers refuse to think and execute against media channels differently, whether old or new. And the sellers, while aware that consumer adaptation is mandatory to lasting survival, still bury their heads in their hands, hoping that perhaps it's all just a bad dream.

Fortunately, every two or three generations, something comes along that represents a truly meaningful transformation in media. This transformation, although facilitated by technology, goes beyond it. It not only generates excitement from an insider's point of view, it also is relevant and meaningful from the outside perspective of the intended market.

Some examples of this type of media transformation are:

- When live theater and vaudeville died, only to be resurrected with the advent of Radio in the 1920's and 1930's. People would actually sit and stare at the Radio as if watching the live act.
- The advent of the transistor radio in the mid-'50s, taking Radio out of the home and dashboard to become the first really portable/personal communications device, followed by the onset of FM Radio in the '60s.
- Television's emergence in the 1940's, followed by color production and mass adoption in the late 1950's and early 1960's.
- The establishment of the Internet and its impact at a more global level.

All of these events marked seismic shifts in interest and opportunity within various media.

Radio is one medium that has been slow to evolve through technological advancements, although it is not alone. Radio has lagged in surfacing and utilizing technology that might take it to places of real transformation for both consumers and marketers. There have been modifications in programming and delivery options over time, but nothing has been game-changing enough to anticipate what consumers want and require, and that from which advertisers would further benefit.

*That is about to end.*

A genuine revolution is being launched in the Radio industry that just may catapult the medium to rarified air not experienced for quite some time. It's called HD Radio, and when reaching scale, it may be a bigger deal than even those in the Radio business project.

## Defining the Revolution: It's the Difference Between The Flintstones and The Jetsons.

So, exactly what is HD Radio, and why is it of a transformational nature? For the engineering purists, HD Radio utilizes in-band, on-channel technology (IBOC) that enables current AM and FM Radio stations to broadcast programs digitally, versus the historical analog platform. This technology hides digital signals at low power in the spaces between stations, using the spectrum just outside the frequency of a station's conventional signal. Consequently, the technology allows for multiple streams of data over very narrow frequencies that are separately received, synchronized, and assembled by a HD Radio tuner. This "net effect" allows stations to use their allotted frequency much more efficiently in improving fidelity, reception, and functionality depth; e.g., allowing multiple broadcasts from a single FM band (multicasting), along with interactive and visual applications.

Getting there requires that stations upgrade existing broadcasting equipment and that consumers acquire HD tuners. Is this a short-term challenge to scalability? Absolutely. Is this a long-term obstacle to mass acceptance? Highly doubtful. Once consumers can receive the signal, the greatest consumer involvement incentive of all time comes into play. It's free.

Here are a few statistics as to where the effort is to date:

- There are 800 Radio stations that currently broadcast their primary signal in HD, including the top 50 DMAs, and penetration is approximately 80 percent.
- Approximately 450 stations also are using side channels of their signal to multicast additional formats and content on channel designations referred to as H2 and H3, well ahead of the original multicast schedule.
- Consumer HD tuner penetration is currently unknown, but probably is in the tens of thousands, with the early adopter forging the way. Entry price point of \$299 for home units is expected to drop dramatically within the next year.
- BMW is the first automotive manufacturer on board with in-car units, with five to seven additional nameplates expected by the end of 2007.

- Numerous manufacturers are producing home and after-market auto receivers, including Polk, Boston Acoustics, Panasonic, Kenwood, and JVC.
- Digital receivers now are available at retail with home versions launched late 2005.
- iBiquity Digital is the sole entity and FCC-approved provider of the technology. (See [www.hdradio.com](http://www.hdradio.com) for additional information and updates)

HD Radio as a consumer product and advanced advertiser platform has the potential to deliver exponentially greater levels of engagement and communication effect through increased functionality, messaging applications, and demographic and psychographic segmentation. HD Radio accomplishes this by enhancing an individual's interaction and experience with the Radio platform, as opposed to simply corralling the masses with wishful relevance. With engagement in media and the associated communications taking on a more vital role in effective advertising and consumer interception, delivering against these at an individual and more personal level is vital to receptivity.

### So, What are Some of the Benefits to Consumers, Now and Down the Road?

- Improved audio. FM digital takes on CD quality. AM digital takes on FM quality.
- Enhanced reception.
- FM surround sound.
- Increased depth of content through multicasting (stations can add three to eight additional side-channels to further meet consumers' individual programming tastes).
- Instant access to key data like real-time weather and traffic through on-demand data services.
- Addition of visual prompts/information through text applications.
- Interactive commerce.
- Wireless, on-demand audio.
- Free and local.

#### *And for Advertisers?*

- Additional segmentation: expanded depth of content, new format development, diversification.
- Increased production values through fidelity enhancements.
- Potential for a level of interactivity through audio & visual synchronization (e.g., a "buy" button on receiver).
- A platform that provides the potential to go beyond the traditional 30- or 60-second-spot approach into brand integration and event alignment.
- Consumer-directed content possibilities and enhanced engagement opportunity.
- Increased time/place targeting.
- Interactive commerce.
- Through two-way interactivity, potential for expanded database development.

### Pushing It Downstream.

The success of any significant change is tied directly to universal acceptance and involvement. As such, dedicated promotion and education are critical to launching any new initiative in the high velocity area of technology and media. The success of HD Radio is no different. The Radio industry's leading executives decided early on to strategically devise a plan to ensure the market is pushed so that demand is forced and scale is established as quickly as possible. Without this, HD Radio becomes a part of what satellite Radio is currently: a product extension without knowledgeable interest or scale.

Last year, the Radio industry formed a standalone unit, The HD Radio Alliance. By fostering agreement and cooperation of an entire industry upfront and as the product rolls, they've significantly minimized the chance of competitive chaos impeding progress of what should be an extraordinary product.

The fundamental role of the HD Radio Alliance is to promote HD Radio to consumers in order to push adoption of the technology from the end user. To expedite this, the Alliance has committed to a \$200 million direct-to-consumer ad campaign that not only educates the consumer, but also promotes the set manufacturers, retailers, and automakers who are integrating the new hardware. This industry cooperation and street-level marketing vs. simple PR is clear evidence of the validity and belief in the technology from a variety of partners, not just the Radio industry.

The following list provides key activities in which the HD Radio Alliance is engaged:

- Coordination and execution of a \$200M ad campaign targeting consumers in 2006.
- Rollout and coordination of multicast stations -- in 50 markets in late April of 2006 and ahead of the initial rollout schedule.
- Coordination of HD2 format selection, ensuring each market gets a diverse, unduplicated mix of new programming.

- Guiding the development of formats for future side-channel deployment.
- Taking the HD story to retailers, manufacturers, and automotive brands for build-out and adoption.
- Maintaining an industry-wide coordinated effort in rollout and evolution.

## The Next Killer App?

The advent of HD Radio is, for some, about making the old new again. For others, it's terrestrial Radio's response to satellite Radio. In fact, some opine that it is Radio's response to Howard Stern's exit to satellite. While poetically convenient, none of these opinions could be further from reality. A facelift makes something old new again, but behind the nip and tuck, the face is still old and aging. HD Radio is not a make-up job. It is the birth of a new and more complete Radio experience. Moreover, HD Radio as a response to satellite (and Howard) is also a bit misdirected, as HD Radio has been in the developmental pipeline for over a dozen years, both in technology and staged FCC approval.

No, in this case, Radio truly has entered an area of complete inside-out transformation, relevance, and uniqueness. More than an evolution, HD Radio is a media transformation revolution that publicly unveils a much larger piece of Radio's DNA: personally involving, socially relevant, and multi-faceted.

The Radio industry is addressing the issues that today's media consumer demands: custom content, experiential improvements, and control. As the industry transforms itself to a place of renewed relevance, it will morph from a historically one-way communications device to one that better promotes two-way dialog and individuality -- either between media outlet and audience, or marketer and consumer.

This revolution also has the potential to seamlessly integrate and become more of a part of other communication channels, such as the online, mp3, and cellular spaces. In fact, it is my opinion that for media to thrive in the new age, they must value being a "part of" rather than "separate from" as it relates to other venues of connection; to embrace rather than engage. Even Google realizes this, as evidenced by their recent interest in Radio assets.

## Different Isn't Better. Better Is Better.

The increased versatility of the HD Radio platform is indeed of revolutionary capacity in all that it might provide. Now all it takes is for those in charge to notice, recognize, and value the potential contribution HD Radio makes available in helping marketers sell consumers things they need (and don't need). The hope, of course, is that unlike the many industry conferences we all have attended in the last decade which have been thick with rhetoric from our collective industries on accountability, consumer control, new media vs. old media, creative integrity, clout vs. nimbleness, bundled vs. unbundled, full-service vs. project work, etc., a few will finally look to act and actually think differently about a powerful medium that's been with us all along. Perhaps the only obstacle in moving from rhetoric to action in capitalizing on Radio's renaissance is the resistance to dismiss outdated thinking and contrived opinion of what Radio is or isn't. Radio is no longer sound without visual, as now it will have pieces of both.

Radio is no longer one-way and background. Soon it will involve interactivity and consumer control. It is no longer set playlists and limited formats, as now it will involve serendipity and significantly expanded localized content. And probably most important, it is no longer a medium that realizes change through incremental adjustments and defensive posturing against the fair or unfair assaults typically cast. No, the Radio industry is in full revolt and on the precipice of significant change. This should be considered a revolutionary point in the history of the medium, one not to be ignored as so often happens in an ad and media industry that is many times blind to the obvious.

One final thought: although HD Radio will be unlike anything Radio was back in the Golden Age of the 1930s or 1940s, one thing just might return from that era: We might just have people staring at the Radio all over again.

### **About the Author:**

*Sean Clark brings over 20 years of multinational and regional ad agency experience, having held executive-level positions in Media, Account Planning, and Operations. Some of his past work has been on behalf of blue-chip clients that included Starbucks, Avia, Bank of America, Kraft, T-Mobile, Vulcan, Microsoft, P&G, and Ford. He also has been a past academic contributor and speaker to the University of Washington School of Communications.*



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