Streaming … Back in the News, but Can You Make Money with It?
By John Potter and Dave Casper

Sure, we've all heard that we'd be flying on Penn Central Airlines today if railroads had realized they were in the transportation business, not the train business. This question represents a similar dilemma for Radio … what business are we in? The business of terrestrial towers and transmitters? Or the business of audio content … regardless of delivery system?

Many broadcasters would agree that the answer to this question is undoubtedly audio content. However, if this is the case, then where is Radio's strategy for repurposing content through alternative delivery systems? Put another way, proven and emerging technology are changing the way in which America consumes media. As our listeners explore these alternatives, what is Radio doing to stay top-of-mind … relevant … important? Our industry's strength has always rested in the unique, intimate relationship we share with our audience. What are we doing to protect this precious asset?

Live audio delivery systems today include terrestrial Radio, satellite Radio, and Internet streaming. Internet streaming is a technical process where audio is digitized, compressed, transmitted over the Internet. The process can take about six to eight seconds, but the stream is virtually live. Computers can be connected to the Internet through dial-up phone lines, cable, DSL, or other broadband wired or unwired carriers. Any one of these Internet connections is capable of providing audio. The quality is rather low over a slow telephone line vs. full CD quality or better when using broadband connections.

Many in the Radio industry embraced streaming over the Internet early on. But we are seeing that, just as Bill Gates had predicted in his book Business at the Speed of Thought, we overestimate change in the short-term, and underestimate change in the long-term. We tried to make things happen too quickly. We found licensing to be a major obstacle and we pulled our audio off of the Internet while resolving contract fees with the Recording Industry Association of America (RIAA); Broadcast Music Incorporated (BMI); The American Society of Composers, Authors and Publishers (ASCAP); Associated Press (AP) and other content providers; and American Federation of Television and Radio Artists (AFTRA). Contracts and rates have been resolved. To reduce licensing costs of AFTRA talent, software has been created to strip out on-air commercials featuring AFTRA talent and replace them with commercials featuring non-union talent or commercials licensed for use on the web.

Quietly, without daily headlines about the Internet and its explosive growth, more and more Radio sta-

tions are beginning to return to streaming over the Internet. According to Denise Sutton, CEO of Warp Radio, an Internet streaming provider, 1,300 U.S. Radio stations are streaming on the Internet. And yet, important questions remain. Mainly, can streaming provide your station with an alternative source of revenue? At the very least, can you offset the cost of streaming by identifying saleable advertising opportunities for your clients? Even the newspaper industry has come to realize their news-gathering force is capable of providing information in more ways than ink on paper, realizing new revenue from repackaged content. The Wall Street Journal charges for online use, as do many other newspapers and publications. What about Radio?

Where's the Money?

There is unlimited sponsorship inventory available on websites (banner ads, links, advertorials, contests and promotions, special pages, sponsorships, classifieds, e-commerce, sponsor listings, coupons, auctions, pop-ups, search engines, directory placement). Your stream can add revenue to your web and NTR efforts. For most streamers, advertising is multi-media. A streaming sponsorship may include elements beyond audio commercials: banner ads, links, video, animated graphics, coupons. Commercials may be sold for on-air, Internet, or both. However, return on your invested time to sell commercials for Internet-only is still a concern. With the prices of the commercials usually being only a fraction of the cost of on-air commercials, it doesn't make sense (cents?) to prospect clients for Internet-only commercials, but adding on a minimal up-charge for existing station advertisers to be included in the Internet stream may create beneficial incremental dollars. Some streaming providers allow the station to trigger a banner ad, link, or video when the commercial plays on the stream. The Radio advertiser's online commercial generates awareness, interest and desire (just like on the air), and with a banner ad consumers may immediately take action, purchasing the product or getting additional information. It works in reverse too. For Internet banner advertisers, they can increase their effectiveness of banner ads by tying them to streaming audio commercials.

Pricing

Determining a price for any advertising is difficult. Pricing Internet advertising, perhaps because it is newer and standards have yet to emerge, is most difficult. There are a few general ways you might consider.

Cost-per-thousand (CPM) rates are based on the times a banner ad displays or a commercial is played. Rates range from the cents per thousand for large general-interest website banner ads to targeted sites (a specific consumer group, geography, demographic) that are $20 CPM and up for banner ads. Local newspapers generally price banner ads in the $20 to $40 CPM range. CPM rates for streaming commercials, based on the thousands of users that hear the commercials, run on the low side of $0.25 per thousand to $20 per thousand on the high end.

Cost-Per-Click (CPC) rates are based on the number of clicks on the ad. It might be likened to per-

inquiry advertising in Radio. Rates begin as low as $0.05 per click to as much as $100 CPC for a specific demo, consumer group, or special offer.

Flat fees are determined mostly by trial and error. Stations put a price on an idea and run it up the flagpole to see if anybody salutes. Only through experience they learn what the market will bear.

A percentage of Radio advertising is sometimes used when selling Internet streaming as an add-on to an on-air campaign. You might price the Internet exposure at 5 or 10 percent of the on-air spot rate.

Newspapers traditionally publish their rate cards annually. Many make their rate cards available online, including their web rates. Take a look and see what kind of rates they are charging for their banner ads.

Getting Started

Several companies offer streaming services to Radio stations, including: Warp Radio, Live365, Microsoft, AOL, Yahoo, and Shoutcast. Most companies require stations to provide a designated computer with a soundcard and broadband Internet connection (cable or DSL). Hardware can be as little as $500, and a broadband connection can be as little as $50 per month. The station downloads necessary software over the Internet. The most difficult part of putting your audio on the Internet is coding the start and stop points of each audio element in the mass digital storage system (music, promos, commercials …). These codes trigger computers at the streaming provider to cover your commercials with commercials designated for Internet use, and then rejoin your programming. Some streaming providers work for barter, where the provider keeps some or all of the commercial inventory of your online stream. Audio commercials in the stream are only one way the Internet creates impressions. The streaming providers also can insert banner ads, animated graphics, and video on the website. The multimedia elements are triggered to appear and create a powerful impression on users, increasing advertiser results.

Licensing

In some cases, rights fees are based on a percentage of gross revenues. To keep the Radio station's gross out of the picture, some stations are setting up separate companies that show revenue generated from their Internet presence. Some vendors, such as news networks, may want additional compensation because of the additional audience potential, but usually they are happy to have a larger audience for their own commercials. Some programming will not be available for you to stream. For example, Premiere Networks streams Rush Limbaugh to paid subscribers. Premiere is not permitting stations to stream Rush. Some of the streaming providers handle licensing as part of your contract with them.

To Stream or Not to Stream

Streaming can provide your station with new and dynamic ways to connect with your audience. Streaming can open new and profitable channels for advertisers to market their products and services. The early issues concerning rights and fee structures are basically settled. As high-speed access becomes increasingly pervasive, issues concerning quality are greatly diminished. In short, the Internet has grown into a powerful multimedia “delivery system.” If we are indeed in the “content business” it makes sense for Radio to have a hand in the game - perhaps even leading the way as our world is shaped and reshaped by new technology.