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Technologies



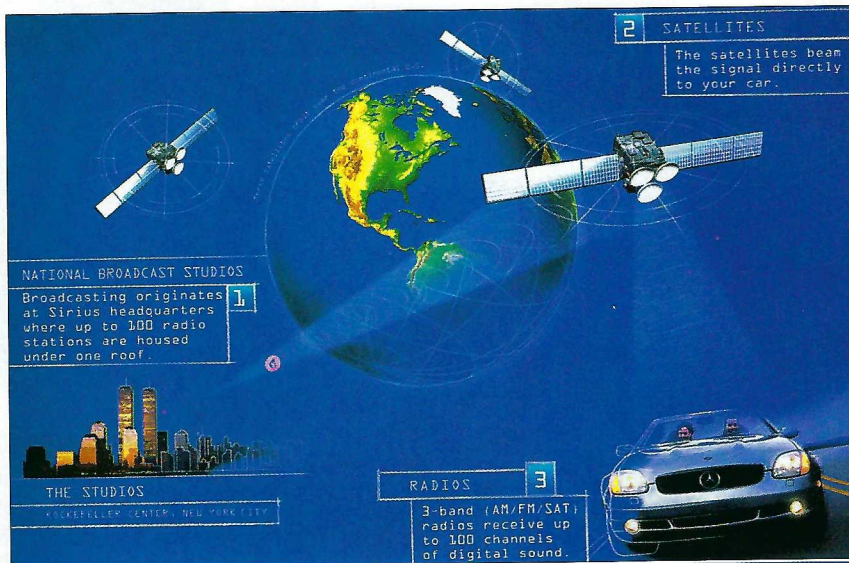
THE SKINNY ON SATELLITE RADIO

A SIMPLE BREAKDOWN OF WHAT'S ON (OR RATHER, ABOVE) THE HORIZON **BY MICAH SHEVELOFF**

Satellite radio has the potential to change the way people listen to music and current events on the go. There's no static, no commercials, and all of this will be available coast to coast. Digital radio is a technology also in its infancy, offering a dramatic enhancement to the current format of radio broadcasts. These are the most significant advances in radio since the advent of FM about 45 years ago. Before anyone can install satellite or digital radio in their car, boat, or home, however, the technology must become available through the nation's electronics retailers. Independent stores and powerful chains alike will need training, a merchandising strategy, and the benefits of a major promotional campaign to insure that consumers understand the value of being one nation, under satellite, connected by digital broadcast.

THE PLAYERS

There are currently three players involved in the race to revolutionize radio: iBiquity Digital, Sirius Satellite Radio and XM Satellite Radio. Sirius and XM rely on satellites to broadcast digital information. However,



iBiquity is planning to convert the current AM and FM infrastructure that already exists from analog broadcast media to digital broadcast. The iBiquity story is not unlike the conversion of analog to digital cellular service, with the advantages of digital being the clarity of signal and the capacity of information that can be transmitted. The Sirius and XM broadcasts can be heard coast to coast, uninterrupted and commercial-free. The iBiquity transmissions will have only slightly better range than the current AM and FM technology, with a substantial improvement in sound quality and again, data capacity. Advertising content on digital radio, theoretically, should remain similar to the current analog radio format. Sirius and XM are both subscriber services, offering their 100 chan-

nels of digital music and information services for \$9.95 per month. iBiquity is traditional radio converted to digital, and will be available at no charge to everyone who purchases the nec-

How the Sirius system works



essary receiver. Sirius and XM listeners will also require new hardware, available either as an add-on FM-modulated kit for existing audio systems, or in the form of a new, satellite-ready head unit and receiver combination.

THE PLAN

What's in all this for the retailer? New technology brings opportuni-

Consumers need to understand the value of being one nation, under satellite, connected by digital broadcast.

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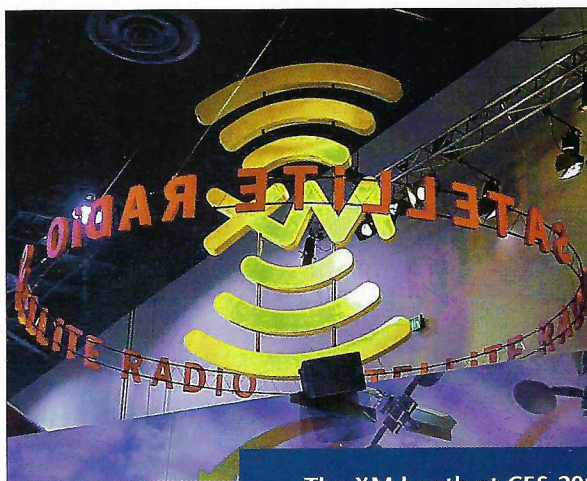
The general public is tired of static and noise-ridden broadcasts that sound little better than radio of 30 years ago.

ty, satellite and digital radio being no exception. The general public is tired of static and noise-ridden broadcasts that sound little better than the radio of 30 years ago. Considering the enormous amount of time people spend in their cars and trucks, it seems reasonable to assume that the digital solution will at least create enough of an interest to drive the public into retail stores to have a look and a listen. Sirius, XM, and iBiquity have even bigger plans for the promotion and launch of their wares. XM Satellite Radio, based out of Washington, D.C., expects to spend in the area of \$100 million introducing itself to the public over an 18-month period. In addition to an extensive advertising campaign, XM plans to be cooperative with their retail partners, hoping to focus attention on their products within the confusing maze of consumer technology. "We will be offering sales incentives to our retailers, because XM-equipped radios will require more explanation," explained Steve Cook, senior vice president of sales and marketing for XM Satellite Radio. "We see these incentives as compensation for the increased training and merchandising efforts that our retailers will expend, and we are hopeful that the enhanced profitability of the hardware will help to drive sales."

The satellite systems will require two discrete pieces in order to function in an automobile. The first is a satellite-ready component for the dashboard, available either as a replacement head unit or as an FM-modulated add-on device

with a display. Pioneer, Alpine and Sony have agreed to manufacture XM-ready units (Sony has already shown their plug-and-play docking unit that can be removed from the car for use in the home or office), and Kenwood, Panasonic, Clarion and Jensen will all make components compatible with Sirius Satellite technology.

The second necessary component will be the receiver, typically a trunk-mounted electronic box. Included with the receiver will be an antenna. Several specialty companies have already begun designing various antenna styles to suit numerous applications. Tom Steckbeck, vice president of retail marketing and distribution for Sirius, reports that the complete FM-modulated add-on kits (including the receiver) are expected to be sold for between \$299 and \$399 retail, plus installation. Kenwood has announced plans to deliver a Sirius-ready head unit as soon as February 2001 with an expected retail price of about \$280. The receiver/antenna kit is expected to cost the consumer \$249 to \$299 additionally, plus installation. Both Steckbeck and Cook commented that their organizations intend to



The XM booth at CES 2001

compensate retailers for selling the \$9.95 monthly subscriptions. Yearly packages may also become available.

iBiquity Digital has a completely different approach planned for the launch of their digital radio product. Consumers will only need a single component, in the form of a new radio. There is no subscription necessary, so much of iBiquity's efforts will be expended developing the new technology and creating enough interest within the broadcast community to convince the thousands of existing stations to upgrade their transmitters. Digital radio (as opposed to satellite radio) offers two major advantages to both consumers and advertisers over existing analog AM and FM. First, the digital compression technology used by iBiquity (called PAC) and developed by Lucent, is very good-sounding. It is

It's reasonable to assume that digital will create enough interest to drive the public into stores for a look and a listen.

Technologies



said to be sonically superior to the MP3 compressed files commonly found on the Internet, and iBiquity refers to PAC as "near-CD-audio" quality. The second advantage that the digital medium offers, is data capacity. There is enough available bandwidth (32KBPS) to create banner-type advertisements or text messaging, a useful tool that could wind up on the displays of millions of car radios. Michael Lyons, director of business development, aftermarket for iBiquity, explained that he expects his product to "enhance the relationship between the broadcast community and the retailers, creating a powerful cooperative as they enter the market together." Indeed, the draw of new technology will certainly play an important role as digital and satellite radio are presented to consumers worldwide.

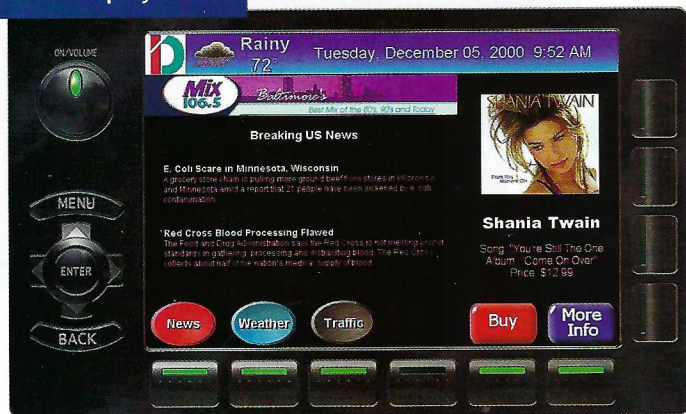
Steckbeck also explained that Sirius's retail partners would be responsible for selling, installing, and activating the hardware. Activation can be done

activate the receiver, which is done electronically over the phone. Both satellite companies intend to provide compelling point-of-purchase materials and displays, including the ability to demonstrate a live satellite radio feed in the retail showroom. XM's Steve Cook reminded us that this is much more than another new technology: "Satellite radio is programming story. People in rural areas will now have access to top talent, as in the nation's major markets." It is indisputable that Sirius and XM will open new doors for millions of people whose radios were not in range to receive diverse musical programming, sports, and the dynamic personalities of talk radio. Although Sony and XM have created an opportunity for satellite radio to be received in the home, Steckbeck reported that efforts at Sirius would be focused on the car, based on their extensive market research. "If the demand is there in the future," he says, "we will find a way to make Sirius available to consumers for home use."

Both satellite and digital radio offer exciting opportunities for consumers, advertisers, and electronics retailers. Sirius has successfully launched its three satellites, and

intends to provide consumer service by the middle of 2001. As Sirius fine-tunes its system, XM is preparing for the launch of its satellites and intends to be on line sometime in the summer of 2001. iBiquity continues to develop its technology with the

An iBiquity screen



either by the retailer or the consumer on-line, or by using a toll-free phone number. Retailers selling the XM service will also have the same responsibilities, and once the installation has been completed, they will refer their customers to a toll-free number to

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hopes of an official kickoff sometime in 2003.

All signals appear crystal clear that radio will soon become a proud representation of 21st-century science, with absolutely no static at all.