



With double the subscribers (nearly 9m) at the end of 2005, the satellite radio nation is alive and well. Services are expanding, and management has a swagger: "We think this is an enormous business" said XM CEO Hugh Panero expressing his view on growth through the decade. As XM projected this time a year ago, Panero believes "XM could have well over 20 million subscribers by 2010."



By Howard Greenfield

Sirius management insists that bringing bad boy of radio Howard Stern onboard has been one of the most cost-effective moves the company has made to date. "When we announced that he was coming over we had about 700,000 subscribers" says Patrick Reilly, senior VP of communications for Sirius. "And just this week we announced we have 3.3 million subscribers. We think we have covered the cost related to Howard".

That cost, for the doyen of shock jocks, could be \$500m under a five-year contract. Getting the new subscribers on board has already netted him and his agent over \$200m in stock options. However,

it comes to satellite radio, though, This is not a test.

There may be trouble ahead in the form of wireless and web radio paradigms that will offer great new programming, and trouble behind in the form of traditional radio that won't go gently. 2004 subscriber figures are inconclusive but encouraging. Industry leaders Sirius and XM are growing but projected profitability is dependant on the steady ramp of a new, paying audience.

In February 2005, XM had just over 3.2m subscribers (up 1.8m subscribers from January, 2004), and Sirius had exceeded one million. What's changed in a year is momentum, numbers, and proof of the business model. Sure, the revenues are still low and the stock prices are still hyped. But you just have to love satellite. It is the real thing – real professionals creating top programming, mostly commercial-free, available in automobiles everywhere.

"Satellite Radio will succeed. Period," asserted Carmel Group analyst Jimmy Schaeffler. "The business model is wide open and receptive to all kinds of innovation. They have to be: this is fresh

# Satellite Radio

**The verdict is in.  
The numbers are up.**

uncensored talk shows alone do not a radio industry make. But among many other titbits, Sirius just announced World Soccer Daily and that they are to be standard equipment in all US Rolls-Royces, including lifetime subscription.

Rival XM is also expanding in all directions with a new NASCAR car racing talk show with superstar Dale Earnhardt Jr and live coverage of Salzburg's Mozart 250th Commemoration Concert.

In Canada, where XM and Sirius were granted marketing licences in 2005, satellite radio has a strong presence, with greater than 75% brand recognition. "The potential for Canada's satellite radio providers to establish a loyal customer base is no longer a question of if," says Mario Mota, Decima Research's vice president of broadcast, "but when."

Like many of us, I'm hypnotised by radio and all the choices it offers. New radio abounds. Competition is at satellite's door in the form of Internet, wireless broadcast ventures, new 'high-definition' for traditional radio, and rumours of an Apple Computer offering. But when I switch on the Delphi XM2go tuner, it's another world and I'm swept away on channel after clean, digital, commercial-free channel. You can get some of this on the web, but you still can't take it with you. Maybe next year with more pervasive wireless. But not today.

Commercial radio has been around less than 100 years but travels deep in the American psyche and is a kind of metaphor of change. "I always remember driving along down the highway and listening to the radio," writes Thomas Friedman. "Suddenly the music would stop" recounts Friedman "and a grim-voiced announcer would come on the air and say, 'This is a test of the emergency broadcast system.'" When

## This Is Not a Test

ground, there's no model for this stuff. Exciting, risky - but tons of reasons why it will make it (even though looking at its aggregate \$8 billion valuation is nuts). Bottom line is they're going to prevail. I don't have any doubt about it at all."

This is the year investment in infrastructure is expected to start generating cash instead of guzzling it. With new markets willing to pay for the quality of service, standard automobile installation, and a growing spectrum of programming, installed units are expected to grow from 12m in 2005 to 55m in 2010 according to Jupiter Research.

Will the run extend US satellite radio campaigns into Asia and Europe? Radio structures worldwide are so diverse it's hard to tell. But you wouldn't bet against them; witness Sirius's latest the 'British Invasion' all English Premier League channel. Listen large. 

**About Howard Greenfield**  
Howard Greenfield has held senior management and consulting positions with Sun Microsystems, Informix, BT, Europe Online, and Apple Computer, where he worked in the Advanced Technology Group. He is a frequent contributor to industry publications. Howard received his Master degree from Stanford University. [howard@go-associates.com](mailto:howard@go-associates.com).