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ENTERTAINMENT

New tricks for oldest broadcast medium

Satellite radio reinvigorates the sound of entertainment

By Todd Leopold
CNN
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(CNN) -- John Clay describes his job at XM in two words: "Radio heaven."

Clay, the program director of the '70s channel at the satellite radio company, isn't alone in his fondness for his employer.

He sits at a table in XM's cafeteria with colleagues Pat Clarke, who oversees the '60s channel, and Kurt Gilchrist, the "Decades" channels senior program director, and the three trade war stories of their days in "terrestrial" radio (that is, the old-fashioned broadcast stations). They recall what they describe as short-sighted managers, corporate groupthink and obedience to ratings books.

That's something XM, as well as its competitor at Sirius, is trying to change. (Full disclosure: CNN has relationships with both XM and Sirius. This writer is an XM subscriber. [See the discussion on why -- and what he thinks of the service.](#))

"I'm more excited now than I've ever been," says Steve Blatter, head of music programming for New York-based Sirius and a longtime radio veteran. "The vibe in the hallway is unlike what I've ever seen in entertainment."

The two satellite networks, in offering a wide range of music, sports, news and other formats across more than 100 channels each, are attempting to convince audiences to turn off their local stations -- and turn away, at least a little, from their CDs, iPods and audiobooks.

In the last 18 months, particularly since Howard Stern joined Sirius in January, [the two have had great success](#) in adding subscribers. XM's subscriber rolls have more than doubled to 6.9 million since the beginning of 2005; Sirius is even hotter, with 4.7 million subscribers, an increase of almost five times in the same time period.



Howard Stern has been a major reason Sirius' subscriber numbers have increased so quickly.

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The Dallas marketing firm Targetbase estimates that satellite radio will reach about 20 million of the United States' approximately 110 million households by 2010.

Still, Michael Harrison, who founded and oversees the magazine Talkers -- a key radio trade publication -- wonders if satellite's high spirits will continue.

"On the satellite side ... there's no financial pressure and the buzz of creativity," he says. (It should be noted that despite rich capitalizations, both satellite companies continue to lose money.) "But as time goes on and things settle, they may find themselves in the same depressed state [as ordinary radio stations, he says]. It's a tough nut."

Competition today, he observes, isn't necessarily from each other or terrestrial radio, it's from all forms of recorded music and entertainment, including CDs, iPods and other MP3 players, Internet radio and podcasts.

Lee Abrams, XM's chief creative officer and senior vice president, is naturally bullish on satellite's capabilities and impact.

"I read about this thing [satellite radio] in the early '90s, and I thought it could do to FM what FM did to AM in the '70s," he said in May in an interview at XM's Washington headquarters. ([See sidebar.](#)) "FM had gotten overly ad-driven and, on the music side, had taken its eye off the 8-ball. I thought satellite could be what America needed."

What he wants to do now, as he observes in his funny, sometimes profane and [always passionate blog](#), is maintain "musical empathy" with XM's listeners. "My personal mission is to help us stay organic," he writes. "It is a business ... a big one ... but big doesn't have to mean strict and overly driven by the traditional business M.O."

"A lot of people, 18- and 19-year-olds, have never heard a great radio station," he told CNN. "It's a challenge to explain XM to them."

'Niche formatting'

Terrestrial radio is taking note -- though its partisans are quick to observe that satellite radio has its limitations.

"What I think satellite has done well -- what its forte is -- is niche formatting," says Detroit morning personality and radio veteran Doctor Don, referring to the sharp delineations of satellite channels. "Its formats wouldn't sustain themselves on

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SIRIUS VS. XM

Sirius and XM are quick to promote their distinctions.

XM has more subscribers. Sirius has grown faster, particularly since signing Stern.

XM has more channels. Sirius' music channels are entirely commercial-free. (The handful of XM channels with advertising are programmed by the Clear Channel corporation.)

XM has 2 million songs, filling 96 terabytes, or 96 trillion bytes, available; Sirius, says a spokesman, has a library "so large, we've stopped counting."

XM has shows or channels featuring Bob Dylan, Tom Petty, Snoop Dogg and, in September, "Oprah and Friends." Sirius counters with Stern, Van Zandt, Martha Stewart and -- soon -- Barbara Walters. XM has Major League Baseball, the PGA and (for now) NASCAR. Sirius features the NFL, the NBA and (in 2007) NASCAR.

One thing worth mentioning: A number of auto companies have exclusive relationships with XM or Sirius, and given that most people listen to radio in their cars, people's choice of satellite company has been limited. Though some of these contracts are scheduled to remain for many years -- General Motors, for example, has an exclusive deal with XM until 2013 -- some auto companies, such as Volkswagen, now offer both services.

Sources: XM, Sirius

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commercial radio," which has to appeal to wider audiences -- and advertisers, he says.

Still, satellite radio goes beyond a broad range of music, says Blatter.

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"We feel that it's very important that we're not just a jukebox," he says. Sirius' strategy, he says, is to present music (and entertainment) through personalities, such as Steve Van Zandt, Jimmy Buffett, Mojo Nixon, Eminem and Marky Ramone -- all of whom host shows or program channels -- not to mention "King of All Media" Stern.

XM, says Abrams on his blog, focuses on music atmosphere, on making the radio sound exciting. "With every new channel there's the exercise to make sure the [program directors] running it 'get' how to do it. I'm not talking mechanics. I'm talking soul," he writes.

The growing popularity of satellite has "woken up the broadcast industry a little," says Ron Dresner, a longtime radio professional and head of the Dennis PR Group, a Connecticut-based public relations firm.

Terrestrial radio is investing in [new formats and new technology](#). The most notable format is "Jack," which, with juxtapositions of '70s classic rock and '80s synth-pop, is apparently intended to sound like an iPod. Radio companies are also sinking money into high-definition radio, Internet streaming and podcasts.

Sirius and XM are also investing in new platforms. Sirius has turned shows over to music bloggers; XM helped create the Inno, a portable MP3 player that's capable of storing up to 50 hours of XM content (including individual songs, which has prompted the record labels' trade group to sue).

'The message is the message'

Where all this will leave the players is anyone's guess. Harrison believes that terrestrial radio, in its current form, is good for "at least 10 more years ... but other media will take more share."

"As content becomes king, the message is the message," he continues, paraphrasing Marshall McLuhan. "There's all kinds of evidence that we're at the end of an era and about to enter a new one. If we are, there's nothing that says AM and FM are the place to listen to sound."

Or, for that matter, satellite radio, he adds: In the age of the podcast, which can be done by anyone with a computer and an idea, he wonders if satellite radio companies paid too much to get into the radio game. Satellite networks currently charge about \$13 a month for their service, but podcasts, like so much Internet-related media, await an advertising model.

Still, satellite radio people don't think of themselves as being in an Internet company circa 1999. They're reveling in their freedom -- and plan to make the most of it.

"Do I feel unshackled? Definitely," says Sirius' Blatter. Without worrying about advertisers, channels are full of creativity, he says, such as an all-Elvis Presley station and Faction, a channel for extreme sports enthusiasts that blends punk, hip-hop and hard rock. "We're able to take risks like that here," he says.

As for Abrams, he can think of nothing better than molding a great radio experience.

"The challenge is to maintain integrity and creative focus as we get bigger," he said. "We want to educate America as to what it's all about and engage more and more artists to be here and be a part of it. The FM playbook was written in 1973 and hasn't been updated. We want to keep reinventing ourselves."

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