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Pumping Up The Volume: HD Radio Touts Price Cuts

By PATRICK SEITZ

The mandatory conversion to digital TV is fairly well known among the U.S. populous, but not so the voluntary conversion from analog to digital AM and FM radio.

Though digital AM-FM radio — branded HD (for high-definition) Radio — has been available for a few years, conversion has moved at a glacial pace. That could change, though, as recently prices for HD Radio receivers have come down to affordable levels, as low as \$79.

The conversion offers an opportunity to boost revenue for radio broadcasters, radio receiver makers, music companies and even **Apple's** (AAPL) iTunes online music service.

"We're converting an industry that's been around for 100 years and there are a billion radio receivers in this country, so that conversion obviously isn't going to happen overnight," said Bob Struble, chief executive of iBiquity Digital, which developed the standards for HD Radio. Companies that own stakes in privately held iBiquity, which makes money by licensing its technology, include many of the largest radio broadcasters and media companies, such as **Clear Channel Communications**, (CCU) Cumulus, **Gannett** (GCI) and ABC.

HD Radio boasts high-quality audio, without the static or hiss of analog. Digital AM sounds like FM stereo and digital FM sounds like CDs. Digital signals are broadcast over the same frequencies as analog signals, so stations remain in the same place on the radio dial.

HD Radio also allows for FM, but not AM, multicasting. So, FM broadcasters can offer one or two extra channels of music or news alongside the main channel. If, say, 97.1 FM did so, its extra channels would appear on the radio dial as 97.1-1 and 97.1-2.

Plus, HD Radio stations can broadcast data services, such as text-based information — artist name, song title, weather or traffic alerts, school closings and more — that scroll across the receiver display.

And unlike digital satellite radio services **XM** (XMSR) and **Sirius**, (SIRI) HD Radio is free to listeners who buy the necessary gear.

About 60 HD Radio receivers are on the market from **Sony**, (SNE) **Harman International Industries**, (HAR) D&M Holdings and others. Those items, including table-top radios and car radios, are available at 12,000 retail outlets, such as **Best Buy**, (BBY) **Circuit City** (CC) and **Wal-Mart Stores**. (WMT) Car makers, including **BMW**, **Ford** (F) and Hyundai, are installing HD Radios in their vehicles.

Radio stations nationwide are broadcasting over 1,600 regular channels in HD Radio plus more than 800 multicast channels. Those multicast channels serve overlooked demographics. For example, Clear Channel Radio is now offering a country music channel in New York City where there wasn't one before.

Stations in Seattle and Austin, Texas, have launched digital channels devoted to local performers and bands.

"We're making some pretty good progress," said Jeff Littlejohn, executive vice president of distribution development for Clear Channel Radio, a unit of Clear Channel Communications. Clear Channel is the No. 1 radio company in the U.S., with about 1,000 stations nationwide.

Many radio broadcasters have done their part by making digital programming available, he says. Local stations also have been actively promoting HD Radio, he says. And more stations are adding HD Radio broadcasts daily.

The transition to HD Radio is a matter of when, not if, observers say. The technology is being added to more new cars and as a feature in table-top radios. Plus, the development of low-power chipsets will allow for portable and handheld HD radios as soon as this fall, but more likely next year, Struble says.

Consumers bought more than 300,000 HD radios in the U.S. last year, Struble says. That's a drop in the bucket compared with total annual radio sales of 70 million.

"Clearly to be in the mass market we need to be selling in the millions," he said. "And we're working to get there."

The availability of extra channels through multicasting is a big selling point for HD Radio. But what's really going to drive adoption is listeners of popular analog radio stations deciding to upgrade to hear their favorite DJs and music formats in crystal-clear high-definition sound, says Steve Koenig, an analyst with the Consumer Electronics Association.

But the price has to be right, says Susan Kevorkian, an analyst with market research firm IDC. Most HD Radios are still pretty expensive, at \$100 or more.

HD Radio competes not only with traditional analog radio, but with satellite radio, Internet radio and music on portable music players and PCs. "There are a lot of digital audio and entertainment options that consumers can choose from," Kevorkian said.

The lack of a cutoff date for analog radio means consumers won't be in a rush to upgrade, she says. Compare that with over-the-air TV. Consumers will lose their TV programming when stations move to digital-only broadcasts after Feb. 17, 2009, unless they get digital TVs, subscribe to cable or satellite, or get a special converter box.

Broadcasters are touting HD Radio as the radio you love, only better. "While you're hearing a lot about satellite radio and iPods, terrestrial radio is still a very-much-in-demand media for consumers," Clear Channel's Littlejohn said.

HD Radio also is innovating with features like iTunes tagging. Select HD radios have a button that listeners can press when they hear a song that they might want to buy from the iTunes online music service.

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