

From the Editor:

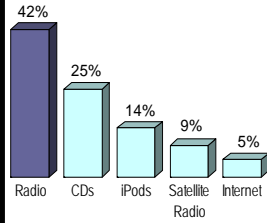
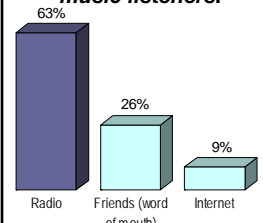
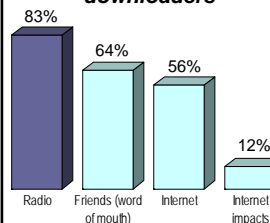
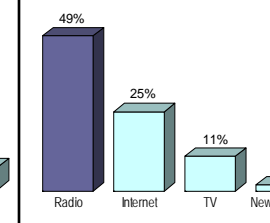

Welcome to the December 2008 issue of RadioWaves. This marks the third year the Katz Radio Group has published RadioWaves and we are reminded of the French expression that translates as, "the more things change, the more they remain the same." Emerging media is feeling the effects of the economic slowdown while some forms of legacy media may get revisited by marketers due to a proven track record of producing low-risk results. The upcoming year could prove to be interesting if this continues.

RADIO: Let's educate the Grammys™ on the power of Radio

There has been significant flack resulting from the recent Grammy Awards television presentation of its nominations. In the opening seconds a video was aired saying, "Radio used to be the only source of new music discovery, but today it has been replaced by digital offerings as the major source of discovering new music." Actually nothing could be further from the truth. There have been calls for the Grammys to apologize and for boycotts. While the Grammys had the bully pulpit of primetime TV to circulate this incorrect information, RadioWaves has the data to refute it. The following is a reprise of an earlier RadioWaves article, obviously missed by the Grammys.

RADIO REMAINS THE #1 SOURCE OF MUSIC DISCOVERY

Despite the number of digital alternatives including self-programmed online music sources, Internet radio, iPods/MP3s, cell phone radio and music download stores, *Radio remains the #1 source for Americans in discovering new music.* Regardless of the demographic, Americans still count on Radio to deliver fresh new music choices. **No fewer than five recent studies have proven this to be true. Radio still dominates as the source for new music discovery. The chart below summarizes these findings:**

Rasmussen	Jupiter/Ipsos	Pew	Arbitron/Edison	Nielsen/Pollstar (for the NAB)																																								
<p>Preferred medium for music listening</p>  <table border="1"> <tr><th>Medium</th><th>Percentage</th></tr> <tr><td>Radio</td><td>42%</td></tr> <tr><td>CDs</td><td>25%</td></tr> <tr><td>iPods</td><td>14%</td></tr> <tr><td>Satellite Radio</td><td>9%</td></tr> <tr><td>Internet</td><td>5%</td></tr> </table>	Medium	Percentage	Radio	42%	CDs	25%	iPods	14%	Satellite Radio	9%	Internet	5%	<p>Sources of new music discovery for online music listeners.</p>  <table border="1"> <tr><th>Source</th><th>Percentage</th></tr> <tr><td>Radio</td><td>63%</td></tr> <tr><td>Friends (word of mouth)</td><td>26%</td></tr> <tr><td>Internet</td><td>9%</td></tr> </table>	Source	Percentage	Radio	63%	Friends (word of mouth)	26%	Internet	9%	<p>Sources of new music discovery of online music downloaders</p>  <table border="1"> <tr><th>Source</th><th>Percentage</th></tr> <tr><td>Radio</td><td>83%</td></tr> <tr><td>Friends (word of mouth)</td><td>64%</td></tr> <tr><td>Internet</td><td>56%</td></tr> <tr><td>Internet impacts purchases</td><td>12%</td></tr> </table>	Source	Percentage	Radio	83%	Friends (word of mouth)	64%	Internet	56%	Internet impacts purchases	12%	<p>Sources of new music discovery (all persons)</p>  <table border="1"> <tr><th>Source</th><th>Percentage</th></tr> <tr><td>Radio</td><td>49%</td></tr> <tr><td>Internet</td><td>25%</td></tr> <tr><td>TV</td><td>11%</td></tr> <tr><td>Newspapers</td><td>2%</td></tr> </table>	Source	Percentage	Radio	49%	Internet	25%	TV	11%	Newspapers	2%	<p>Correlation between a song's Radio airplay and its actual sales</p> <p>Findings: Radio airplay is responsible for between \$1.5 and \$2.4 Billion in new music sales.</p> 
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<p>CONCLUSION: People prefer their music on the Radio by more than 3 to 1 over digital alternatives</p>	<p>CONCLUSION: Even digital consumers prefer "traditional" Radio, which is their #1 source of new music discovery</p>	<p>CONCLUSION: Even digital downloaders prefer "traditional" Radio; the web didn't strongly influence what music people bought</p>	<p>CONCLUSION: Radio remains the main source of new music discovery</p>	<p>CONCLUSION: There is a direct correlation between the number spins and sales of albums or singles.</p>																																								

Note: All data is 2008

TRADITIONAL MEDIA

Newspapers' endless tsunami of bad news

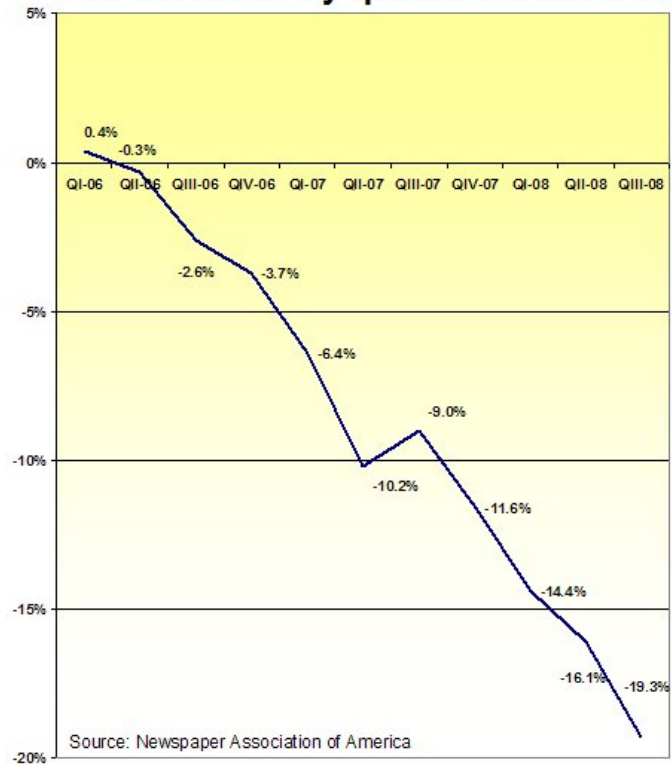
This year, the newspaper industry has received its share of good news and bad news. On the heels of newspaper websites receiving record audience gains, there is a decline in print readership, papers are shuttering sections, entire publications are closing down, layoffs are occurring and stock prices are falling. It's now being reported that the bottom dropped out of newspapers in the third quarter of 2008. Newspapers posted a 19% revenue loss, continuing its freefall from the last two years. The loss represents a \$2 billion decrease. Radio reported a decline of 7% during this same quarter.

Newspapers remain dependant on shrinking print editions and are unable to monetize its Internet presence. Online sales for newspapers dropped 3% in the third quarter. At the same time most papers reported record-high audiences for its digital editions as the elections were heating up. The gloom and doom predictions are relentless and even include one newspaper industry watcher predicting that by 2010 many major markets will be without a newspaper.

Source: Newspaper Association of America, Bloomberg, Miller Kaplan, Fitch Ratings

Deepening crisis

Print ad sales by quarter since 2006



EVERYTHING OLD IS NEW AGAIN

Radio & TV websites are a top Internet growth category

A recent Borrell study indicates that marketers will reduce money spent on what is being perceived as "traditional" forms of Internet advertising. This includes display ads such as banners and pop-ups, which are no longer perceived as effective. The same syndrome impacting traditional media has crept into new media. The study also finds that marketers are interested in exploring streaming advertising options and concluded that one of the growth categories in digital media this year will be Radio and TV websites. There is a perception that the combination of new and old media provided by these broadcast station websites provides an optimum recipe that combines the trust they have in the results produced by "old" media with the excitement of "new" media.

Source: Borrell; Miller, Kaplan & Arase; eMarketer

SATELLITE RADIO UPDATE

How much longer can it hang on?

There is increasing speculation that Sirius XM is close to bankruptcy. The company cut new subscriber forecasts dramatically due to the poor economy and declining new car sales, which produces the bulk of its subscribers. Sirius XM stock is close to being an official "penny stock." It's consistently below 25 cents a share and the company can no longer use stock sales to raise capital. Bank loans are non-existent for companies that lose money at their historical rates -- losing over \$1 million per day, due to their high operating costs coupled with low revenues from advertisers and subscribers. Customer service has also deteriorated. For example, it took the company several months to explain the implications of the Sirius/XM merger to subscribers. A Wall Street-focused newsletter recently put Mel Karmazin on the list of Top 10 CEOs who should resign. Many industry watchers are speculating that it's only a matter of time before Sirius XM shuts down. And now Howard Stern is considering leaving when his contract expires in two years. Sirius XM may not survive another two years and most of Wall Street agrees. The stock is currently trading at a record low of 14 cents a share.

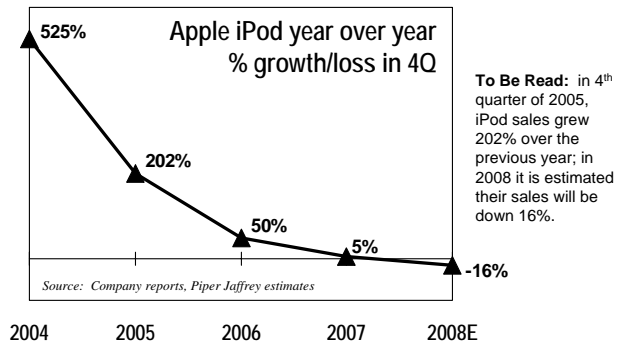
Sources: 24/7 Wall Street, Silicon Alley newsletter, Business Week, Datamation Magazine, Yahoo Finance

EMERGING MEDIA

Has the iPod actually become a "Mature" brand?

For the first time, Apple's iPod sales will decline this Christmas. Few people have realized that the iPod's growth has actually steadily decreased each year. While the iPhone remains Apple's hot product, the lure of the iPod is apparently over.

In order to make up for these declines, the iPod was sold to discount retailers this year for the first time. From Wal-Mart to Costco, everyone is suddenly selling what used to be marketed only in elite locations and company-owned stores.



Why are iPod sales suddenly declining and why is Apple attempting to turn this pricey MP3 player into a mass market item? It's probable that the base models have reached a saturation point and the upgrades that Apple has come to expect from its brand loyalists are hindered by the poor economy and cheaper or free alternatives – including music on cell phones and Internet Radio. It's also speculated that the iPod, one of the iconic symbols of a generation, is now a mature brand.

Sources: Silicon Alley Insider, Business Week, Piper Jaffrey

This Month's Definition:

What is Behavioral Targeting and why is it so controversial?

Behavioral Targeting involves placing specific advertising onto consumer's web pages and basing which ads are served to that computer upon the consumer's recently viewed web pages, online shopping behavior, search engine keyword usage or a combination of all these. Behind the scenes tracking of a consumer's Internet behavior enables their habits to be observed and recorded. Behavioral targeting can be done at the ISP level, on ad networks or via adware applications. However, issues of privacy have become significant and many consumers are demanding "opt-in" pages rather than involuntary observations of their behavior. Some web users have filed lawsuits claiming behavioral targeting is spying and constitutes illegal wire tapping. Meanwhile, behavioral targeting does offer benefits to marketers: the ability to deliver relevant messages to a highly targeted audience of qualified prospects, many of whom are actively engaged in the marketplace.

Sources: IAB

TRUTH or HYPE?

Did any of last year's "Pundit" predictions come true?

Each year, digital media pundits generate predictions about emerging technologies. There's nothing new about the prediction business. In 1950, an article in *Popular Mechanics* magazine predicted that, by the year 2000, the family car would be a helicopter. However, this same article also predicted that TV would merge with the telephone and would become a primary shopping medium. Does this sound familiar? Today's media and advertising pundits are less speculative in their forecasting, but no less aggressive. So, we wondered what happened to last year's media and advertising predictions. Some of them were colossal; most were hype. For example, forecasters predicted online advertising would grow 29% this past year – it grew less than half of that. Meanwhile, they also predicted that a major newspaper would go all digital which was pretty close since the *Christian Science Monitor* will go all digital in 2009. Forecasters also predicted that 2008 would be the year of mobile Internet advertising – that prediction has been trotted out every year since the 1990s. Each year there is more mobile web improvement, but as an advertising medium it remains a blip on the revenue radar. One major prediction made at the beginning of last year was that broadcast TV would crash and burn, with web video rising from its ashes. Last year's writer's strike made this prediction even more tantalizing, but it didn't happen. Far from it -- broadcast TV revenues increased, although only slightly, while web video continues to be unable to monetize its increasing popularity. As one interactive ad guru commented, "What made you think you could monetize somebody breaking up with their girlfriend?"

Source: Ad Age