



THE EFFECT OF TECHNOLOGICAL ASSAULT ON RADIO LISTENING

Terrestrial radio stations are losing the battle of time spent listening to new technology and internet streaming. This type of technological battle is nothing new. New technology has always had a negative impact on the health and success of older technology.

Up until 1930, food shoppers bought their meat at a butcher, their vegetables from another vendor, baked goods from someone else, dairy items from the milk man, etc. The corner grocery store of that time carried about 700 items, most of them sold in bulk. But on August 4, 1930, ironically, in the middle of the Great Depression, the first supermarket, a King Kullen, opened in Queens, New York, and the world of grocery shopping changed forever. It wasn't long before small corner grocery stores began to disappear from neighborhoods all over America. Choice and convenience were the big reasons why the supermarket won over mom and pop grocery stores.

Terrestrial radio stations are facing a similar challenge. According to a national study of 1,858 people done by Arbitron and Edison Research, conducted in January of this year, 85% of Americans, almost nine in ten, have internet access available to them, and the majority of that access is via broadband. In 2005 roughly half of internet users had slow dial-up internet access and half had the speedier broadband access. Today 82% have broadband internet access at home. Similarly, portable MP3

ownership has also skyrocketed. In 2005 only 14% of the respondents said they owned an iPod or similar device. In 2009, with the advent of the iPhone, 42% now own some sort of portable MP3 device.

The statistic that should most concern terrestrial radio is the iPod ownership and usage levels of younger demos, radio's future users or perhaps non-users. 71% of teens 12-17 and 64% of 18-24's own a portable MP3 player. Ownership of these devices is also growing among 25-34 year olds where 55% own one and 52% of 35-44 year olds own one. Like the first supermarket, these devices offer lots of choice and one-stop shopping. MP3 players also offer another huge benefit: small size and portability.

But it is not just ownership of MP3 players that is the problem for terrestrial radio, it is that the use of them is replacing radio time spent listening. 12 to 24 year olds say they spend just about 1/3 less time listening to over-the-air radio specifically due to time spent listening to their iPod or similar device.

The problem here is the sheer number of people who make up the 12-24 year old demo cell. These are the children produced by the baby boomers, the largest segment of our population today. But, by 2012, for the first time since baby boomers were born, this new generation of 12-24 year olds will make up the largest segment of America's population making them

incredibly attractive to advertisers. Retailers, auto makers and other advertisers are well aware of this coming trend and are readying their products to meet the needs of this new generation. Sadly, the consumers that these advertisers will most want to reach are listening less and less to over-the-air radio.

One of the reasons the MP3 player is so attractive is the infinite amount of music choice it gives its owner and it's commercial free. 99% of the music albums on the market today are not available at Wal-Mart but the odds are that most are on iTunes. Radio tried to address this need for greater choice with the Jack format, but there is no way radio can compete with the musical variety offered for the MP3 player.

Another aspect of this problem is that the younger listeners are in a mini-cultural rebellion where it is very cool to be very anti-media establishment. In a 2005 speech, News Corp chairman Rupert Murdoch acknowledged this trend when he said "Young people don't want to rely on a God-like figure from above to tell them what's important. They want control of their media instead of being controlled by it."

Where is the good news in all of this? In the January Arbitron/Edison study eight of ten Americans say they will listen to the same amount of radio despite the advances in new technology. Whether or not that prediction turns out to

be true really depends upon the strength of terrestrial radio's programming as it relates to what's new and what's next.

Because of the current bad economy radio stations have been suffering huge financial losses and the results of that in our industry have been nothing short of catastrophic. Stations have been forced to make deep, deep budget cuts and a huge number of jobs have been lost. It is not uncommon to hear about radio stations that once had full-time air staffs operating with only a program director, one announcer and some board ops. 266 radio stations simply went dark last year.

While all businesses need to operate in a cost effective manner, at what point do you make your product indistinguishable from its competition and less saleable? With this type of technological assault on terrestrial radio time spent listening, isn't this the worst time to for radio to be cutting at the heart of its products? As the old analogy goes, we need to be careful of throwing the baby out with the bathwater.

When listeners are asked what would make them subscribe to a satellite radio service or invest in an HD radio, their answers are simple and clear. If either of those sources can provide the listener with something they cannot hear anywhere else then the new technology is attractive to them. Non-duplicable programming is the key to attracting partisans to any broadcast service.

Radio stations that depend on just the music to attract listeners are up against infinite music choice and, like the corner grocery store before the supermarket, are vulnerable to patron attrition. At no time in

radio's history has what goes on in between the music been more important. The two things that radio can do that the MP3 player cannot is be local and have entertaining air personalities on the air.

60% of the average market's radio revenue is spent in morning drive and conventional wisdom says that an increase of one share point in demo in this daypart is worth about one million dollars of advertising. A unique and compelling morning show can be a radio station's biggest asset. If you have one, you are lucky. Nurture it and when the dark economic clouds finally part likely you will still have a whole and saleable commodity, cut back on the care and feeding of it and it may lose value.

Developing and maintaining great air personalities cannot happen in a vacuum. With all of the consolidation and budget cuts managers barely have enough time to maintain their operations at the expense of time devoted to morning show and other talent development. How much time is really being devoted to this process at your radio station? Are there daily meetings between the program director and the morning show? What happens in those meetings? Are they really productive? When is the last time you had a creative brainstorming meeting looking for new content and features for the show?

As Jack Trout said in his book Differentiate or Die, "to be different is to be not the same. To be unique is to be one of its kind." In this battle for consumers' entertainment time, radio cannot afford to lose sight of the importance of investing in what differentiates it from its competition: it's air personalities.



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