



Media

Buy My Internet Radio, Please

Peter Kafka, 06.03.04, 3:00 PM ET

AirAmerica, the newly launched radio network aimed at liberal listeners who prefer **Al Franken's** smirk to **Rush Limbaugh's** snarl, had a rough start this spring. In its first month of operation, the network saw top executives leave, had trouble meeting payroll and struggled to make its signal heard from a mere six radio stations.

But in cyberspace, AirAmerica has been a hit. In its heavily hyped first week of broadcast, the network sent 2 million streams out to listeners who dialed in via computer--either because they were away from a nearby radio or, in most cases, because no local radio station carried the programming.

For AirAmerica, the Internet has been a fundamental part of the fledgling network's launch strategy. Since the terrestrial radio stations controlled by the likes of **Viacom** (nyse: [VIA.B](#) - news - people) and **Clear Channel Communications** (nyse: [CCU](#) - news - people) would be hard to come by, "we thought it was very important from day one to be live on the Internet," says AirAmerica Chief Executive **Doug Kreeger**.

But AirAmerica's relationship with Internet radio could also be symbiotic. Though more and more listeners are dabbling with streaming broadcasts through their desktop PCs--Arbitron/Edison Media Research says 40% of Americans have tried tuning in to Internet radio, and 38 million do so at least once a month--if the medium is going to become mainstream, it will need content that's hard to find in other places.

AirAmerica fits that bill, says **Michael Harrison**, publisher of *Talkers*, a radio trade magazine. "All of a sudden you had Mr. Mainstream America, who isn't advanced technologically, trying out radio on their computers," he says. "Suddenly AM/FM stations seem very old-fashioned."


Right now, old-fashioned AM/FM stations are where advertisers prefer to spend their dollars--some \$20 billion each year. The Internet radio advertising market, by contrast, is so small that there are no reliable estimates. But think single-digit millions. Still, Net radio backers argue that they are already primed to start competing for at least a sliver of the terrestrial market.

"The audience is there," says **David Goldberg**, vice president of music at **Yahoo!** (nasdaq: [YHOO](#) - news - people), which offers Internet radio through its Launch service. "The consumer demand is tremendous. Now it's really kind of figuring out how to make it work from the advertisers' perspective."

Part of the task, says Goldberg, is finding evangelizers who can work with ad buyers to convince them that Internet radio is a worthwhile buy. To that end, Yahoo!--along with **Microsoft** (nasdaq: [MSFT](#) - news - people), **Time Warner's** (nyse: [TWX](#) - news - people) AOL and **Live 365**, a company that aggregates thousands of do-it-yourself Net radio stations--has hired radio veterans **Eric Ronning** and **Andy Lipset** to sell U.S.-wide ad spots across its Internet radio properties.

"We've had to educate the market," says Ronning. He believes his clients--whose listeners are generally more educated and affluent than the average terrestrial radio listener--should be able to command the same kind of rates that conventional stations generate: between \$5 and \$20 per thousand listeners. Ronning and Lipset think Net radio can generate \$100 million in annual advertising dollars in short order.

Arguably true, says **Matt Feinberg**, senior vice president at **Zenith Media**, a media buying and planning outfit. But he says the fragmented nature of Internet radio makes it a difficult sell. Individual stations have comparatively



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tiny audiences, and since the listenership is spread throughout the world, there's no point in buying local advertising. And even though the four networks Ronning and Lipset represent each reach 1 million to 2 million listeners per week, that's just the equivalent of a single reasonably successful terrestrial station. That makes it a tricky sell for a major advertiser that wants U.S.-wide exposure.

"Yes, it's viable, because it's real," says Feinberg. "But is it viable in terms of audience delivery? Though [Internet radio shows] do have an audience, they're small. And no one would tell you otherwise."

So how will Net radio grow? Like every other Net-based media business, Internet radio execs expect their growth curve to parallel that of broadband, currently at some 40% of American homes. And they argue that their advantages compared to terrestrial radio--a nearly infinite number of offerings, each geared toward different entertainment niches; limited advertising; and, in some cases, customizable stations--sway consumers who sample the services.

But they have to try it first.

Thus the importance of offerings like AirAmerica: highly publicized, can't-get-it-anywhere-else programming. Who knew Al Franken's interests dovetailed with those of **Bill Gates**?