Declaration

I, Biswas.B.Chandran, p2mba09009, second year student of Amrita School of Business, Amritapuri Campus, hereby declare that the project report titled “Satellite Radio- An industry analysis.” is my original work. And proper reference has been given at the end of the document.

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Executive summary

Radio, it was and still remains to be one of the best inventions known to mankind all over the world. Broadcasting media is the oldest media, only second to the mother media, that is the print media, was experiencing a down time after the invention of TV and Internet. Now, just like the rest of the world, radio is evolving and becoming something a lot more powerful and reliable than its predecessor. We're now living in the age of the satellite radio, this is also known as subscription radio. Satellite radio systems are the consumer's access to space-based audio technology, offering uncensored, commercial-free programming that comes in crystal clear no matter where you are.

This type of radio has revolutionized the industry and changed the way that people listen to the airways. Its having a number of advantages over the normal radio service. But still this industry is at its beginning stage. We can hope this niche segment would grow and provide better entertainment and information in the upcoming years.
Introduction

Radio is considered to be one of the greatest inventions of the mankind throughout its history. Despite the fact that it was invented in the late 19th century, radio still remains popular and new technologies implemented in the radio industry make it really great. At the same time, it is worthy to note that many contemporary means of telecommunication to a significant extent are the result of the development of radio industry and it is hardly possible to imagine the 20th century and even the contemporary technologies if radio have never been invented.

It is quite natural that since early stages of its development till the present moment radio possessing such a variety of perfect characteristics is widely spread and an essential part of human life. On the other hand, the wide spread of radio naturally resulted in its growing commercial use instead of improving human life, communication, navigation, etc. Its commercial use started to grow rapidly. For a long period of time radio remained one of the most profitable industries, at least in the sphere of telecommunications, especially until the introduction of television and more recently IT and Internet.

Scope of the Project

The report is about the Broadcasting media with special focus to Satellite Radio. The project explains the industry before and after the satellite radio, what was the impact and benefits of Satellite radio, the international business aspects of Satellite radio, the present scenario and future of Radio etc.

What is Satellite Radio?

'Satellite radio is an analogue or digital radio signal that is carried by a geostationary satellite and thus can be received in a much wider geographical range than terrestrial FM radio stations. That is it works by sending a digital radio signal to a communications satellite. As a result, satellite covers a wider area than traditional radio signals, which typically span only 30 to 40 miles from their source. In contrast, satellite transmits its signal more than 20,000 miles away from its source'.

Satellite radio will require you to purchase a new receiver in order for you to take advantage of this service. These units are not too expensive; in fact most new cars today

already include a satellite radio receiver already installed. You can buy units for your home, as well as units for your car. Now portable sets are also available.

Radio services are usually provided by commercial ventures and are subscription-based. The various services are proprietary signals, requiring specialized hardware for decoding and playback. Providers usually carry a variety of news, weather, sports, and music channels, with the music channels generally being commercial-free.

Nonetheless, even nowadays, radio industry quite attractive industry for investments and new technologies open new horizons before the further use of radio.

Radio industry before satellite radio

Naturally, on analyzing the development of radio industry and business aspects of the use of radio, it is necessary to start with the early stages of its development that would naturally help better understand the further development of radio industry.

First of all, it should be said that the full potential of radio was not fully known until the 1906. On that day, instead of traditional dots and dashes a few wireless operators on ships in North Atlantic heard a voice reading from the St. Luke’s Gospel. At the same time, it does not necessarily mean that until 1906 radio was not regarded at as a commercially attractive industry. In1897 Guglielmo Marconi established the world’s first radio station in England that was one of the first attempts to develop a radio network.

The moment when radio turned to be able to transmit voice and voice the full potential of radio was revealed, radio industry had started to grow dramatically. Initially, amateur radio operators were using this technology to chat with each other. After World War I, radio’s future seemed to be in transmitting long-distance telephone calls.

Indeed, the word broadcasting, which meant scattering widely, had not yet been applied to radio. Then, in the fall of 1920, a Westinghouse Electric executive, Harry P. Davis, had an epiphany. Mr. Davis realized, in other words, that radio transmissions could be heard by the masses. On Nov. 2, 1920, at Mr. Davis’s urging, Westinghouse introduced what is considered the first commercial radio station in Pittsburgh. By the end of 1922, 576 commercial radio stations were operating in the United States.

But a large question remained: How would these new stations make money? Mr. Davis’s financial goal was simply to help Westinghouse sell more radios, and in 1922
about 100,000 radio receivers were purchased in the United States. By 1925, 5.5 million radio sets were in use in the United States, and what was “the only means of instantaneous collective communication ever devised had begun to capture its mass audience. The following year AT&T recognizing that radio no longer seemed to have much to do with telephony sold its stations to the newly created National Broadcasting Company.

Practically at the same time, in 1922 the first regular entertainment broadcasts started from the Marconi Research Center at Writtle, England. This was a very important stage in the development of radio industry since it clearly indicated at the potential of radio as the means of mass entertainment that could be commercially used and it could be extremely profitable since radio transmitted messages directly to the audience that made it possible to use as the means of advertising. On the other hand, the popularity of radio and a profound interest of the audience to the fast developing radio stations made this industry quite attractive for investments.

In the early 1930s, single sideband and frequency modulation were invented and radio not simply entered every household but it became an essential part of practically all people. In 1954 Regency introduced a pocket transistor radio.

In such a way by the middle of the 20th century radio became the main means of mass communication which was commercially used and could be applied in different spheres from entertainment and advertising to navigation where it was vitally important and consequently its commercial potential was really significant.

Radio industry after satellite radio

However, the second half of the 20th century was marked by the rapid development of a new means of mass communication which later became dominating medium - television. In this respect, it is possible to view radio as a precursor of television.

At the same time, the early 1960s marked not only the start of the new space age of the mankind but it also revealed new opportunities of radio industry to a significant extent due to satellite radio. It is evident that since the early stages of its development radio was an essential part of many vitally important processes. What is more, radio companies were one of the major entertainers and entertainment industry would be affected dramatically by the potential crisis of some of the major radio companies. As a result, radio companies always hold firm position which was reinforced significantly after the implementation of satellite radio which had made other industries even more dependable on radio than ever before.
In fact, the beginning of the era of satellite radio dates back to the early 1960s, notably to 1963 when the first radio communication satellite, TELSTAR\(^2\), was launched. Basically, it was used to provide radio services to rapidly growing television industry since in this period of colour television started to be commercially transmitted and the radio communication satellite was used in this process. In such a way, satellite radio overcame the borders of radio proper and became an essential part of the transmission of television and in the course of time the coverage of radio communication satellite signal grew dramatically.

Also, it is worthy to note that satellite radio was used not only for television but also for telephone networks as well. Obviously, in such a way radio contributed to the progress of telephone networks and increased their profitability as well as the profitability of companies operating in the radio industry.

In 1980s, the US navy experimented with satellite navigation that eventually led to the invention and practical application of the GPS constellation.

Naturally, as technologies progressed so did the radio industry which commercial potential enlarged dramatically due to its wide use in a variety of telecommunication systems and in 1990s in addition to television, telephone networks and navigation, radio companies began to use personal computers with audio cards to process radio signals.

Moreover, the age of satellite radio, especially 1990s were characterized by rapid progress in the quality of the product of the radio industry. Finally, it should be said that the late 1990s were characterized by wide application of digital transmissions to broadcasting that contributed to the further growth of radio companies and their numbers.

On the other hand, it would be a mistake to think that that radio companies faced no problems. In fact, one of the major problems was the problem of deregulation of radio industry and the Telecommunication Act actually was supposed to do it but, instead, specialists estimate that “most media ownership were thrown out by the Act, and independents were bought up”.

\(^2\) http://en.wikipedia.org/wiki/Telstar
Benefits of Satellite radio

Everyone knows that we are living in an ever changing world. And If you've doubted what would make pay radio worthwhile when regular radio is available for free?

Commercial Free:
One of the biggest advantages of pay radio is that since it's a subscription-based service that is supported by listeners rather than advertisers, its commercial free.

Lots of Programs to Choose From – Uncensored!
Pay radio services offer hundreds of programs in every genre, including music, talk, sports, news, regional and comedy. And because they’re subscription-based services rather than licensed services, programming is not subject to the same regulatory scrutiny as regular radio.

Outstanding Sound Quality
Crystal clear sound quality is one of the hallmarks of satellite radio. And since the radio signal is digital, static is a thing of the past and signal strength isn't geographically limited. You can enjoy your favourite programs no matter where you are, with no degradation of sound quality.

Programming Info Available
Ever hear a great song on the radio, but can't find out who the artist is? Satellite radio tuners eliminate those annoyances by displaying comprehensive information about whatever is playing.

Local Traffic and Weather Wherever You Are
Satellite radio programs also offer round-the-clock information about local traffic and weather conditions. This can be a major timesaver for travellers, commuters, or anyone who spends a lot of time of the road. An addition, if for any reason terrestrial radio stations are off the air, you can always count on getting accurate information from digital radio.

<table>
<thead>
<tr>
<th>Radio format</th>
<th>Satellite radio</th>
<th>AM</th>
<th>FM</th>
</tr>
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<tr>
<td>Monthly fees</td>
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<td>free</td>
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<td>Portability</td>
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Wide Range of Affordable Subscription Options
Digital radio is very affordable, with a wide range of programming packages that let you pay for exactly the services you want and need. At the low end, "pick your programs" packages are available for less than $7 a month, and comprehensive packages that offer more than 160 programs come in at well under $20 per month. There are even packages that offer programming from both of the nation's satellite radio powerhouses, Sirius and XM.

Download and Replay
Many satellite radio stations can be received by your PC and you can then use your computers recording facilities to record some of your favourite songs and replay them whenever you wish. There are many computer programs available to help automate this.

Major Service Providers

1. World Space
2. XM
3. Sirius

There are two main subscription satellite services that are currently available: Sirius XM and 1worldspace. In 2008, the two separate satellite radio companies of Sirius and XM merged\(^3\) to form Sirius XM Radio. The companies have not yet fully integrated, however, since they rely on different hardware and software systems. The farthest-reaching satellite radio company was 1worldspace, although their coverage does not yet extend to the United States. The company currently operates with three geo satellites.

Sounds against Satellite radio

While satellite radio may be gaining in popularity, the reality is that it's not stealing any market share

Officials at Clear Channel Radio San Diego, which has 11 stations, said concern over satellite radio is no different than their concern over CD players, MP3 players or other stations in the market.

Jim Richards, the local vice president of programming for Clear Channel, whose listener base reaches more than 2.6 million San Diego residents, said satellite radio has such a small subscriber base in relation to the total amount of commercial radio listeners, its impact has really been minimal on the radio industry.

\(^3\) [http://en.wikinews.org/wiki/In_depth:_XM_and_Sirius_merger](http://en.wikinews.org/wiki/In_depth:_XM_and_Sirius_merger)
Satellite radios sometimes misuses the freedom they have by playing dirty songs and vulgar talks.

Satellite radio is still new to the industry; we does not feel it is in direct competition with local radio stations. Awareness about Satellite radio is very less; moreover they never used to pay for radio service. And the expense of the receiver is relatively expensive when compared to MP3 or DVD players.

**International Business Aspects**

Satellite radio, particularly in the United States, has become a major provider of background music to businesses such as hotels, retail chains, and restaurants. Compared to old-line competitors such as Muzak, satellite radio's significantly lower price, commercial-free channel variety, and more reliable technology make it a very attractive option. Satellite radio providers offer business subscriptions.

Satellite radio's chief asset is the fact that it is not localized: drivers can receive the same programming anywhere in the footprint of the service

**CAGE Theory**

Its basic argument is that companies are estimating the attractiveness of foreign markets by focusing on market potential factors like population, per capita income etc. and not looking at the costs and risks in doing business in new markets. Here also we can see the example of Satellite Radio service provider ‘1worldspace’. The company is based on Washington and they were providing satellite radio to Europe, Asia, and parts of Africa. At the time of recession, the company was badly affected by it and now they are facing closing down.

**Mergers and Acquisitions**

As given in the study the XM and Sirius merged to form SiriusXM in 2008. The reasons for the merger would be

1. Since both companies will now operate as one company, the cost of licensing the material to be broadcast should be reduced. Less staff will be required to run the newly merged company and programming will be able to be spread across the combined satellites of both companies.
2. The variety of programs is expected to increase. The subscribers from both services would benefit.
3. As one company, more money can be spent in order to develop new products. For example, both XM and Sirius now carry satellite weather and traffic, undreamed of at the time that satellite radio was first launched
4. Less competition and they can fight together with the other competitors.
Product Life Cycle theory

Again we can take the example of 1worldspace and see that they started their services in Europe (developed market). And as they got certain market share (close to saturation) from Europe they came to Asia and Africa (developing countries) to take advantage of the product life cycle.

Country Similarity Theory

Both Sirius and XM are from USA. And when they thought of expansion, they went to Canada first. It’s because of the cultural and political similarities between the country. Moreover the Canadian audience were already familiar with these two companies.

The contemporary radio industry and its future

In fact, this problem still remains important for the contemporary radio industry since to a significant extent because of the Telecommunication Acts the number of independent radio companies decreased and gradually small radio companies are getting involved in the sphere of influence of large corporations operating in the radio industry.

Nonetheless, the radio industry is still progressing and at the present moment its commercial value and attractiveness for investments can be hardly underestimated. It should be pointed out that at the present moment, radio companies are getting to be more involved and integrated in the telecommunication industry at large that means that they are not simply forecast on broadcasting proper but are particularly concerned about the development of radio services supplied to other companies operating in the field of telecommunications, including television.

![Radio Listening Habits](image-url)
Listening to a programme after the broadcast has become far easier thanks to digital technology. For example, it is possible to listen afterwards on Internet or save a programme as a file in a computer or MP3 player, so-called pod radio. According to programme companies an increasing number of people listen to radio programmes after broadcast, and in the Stelacon survey 6% say that they listen to downloaded radio programmes at least once a week.

Not surprisingly that nowadays, radio still remains one of the leading mass media and the fact that it is closely cooperates with television, telephone networks, its integration to PCs indicate at its importance. Moreover, nowadays, radio is getting to be even more accessible due to the development of IT which made it accessible via Internet, for instance. At the same time, it is necessary to remember about such a traditional domain where radio companies successfully operated as navigation but nowadays the role of radio increases because unlike in the past, in the contemporary world radio is used not only in sea and aircraft navigation but also in automobile industry as well.

For the development of Radio the most suggested things are:\4:

Naturally, the long history of the development of the radio industry and its current strong position in the market of mass media and telecommunication companies makes it possible to speak about positive perspectives of the future development of radio companies. Moreover, it is even possible to presuppose that the notion of radio would gradually change. For instance, traditional radio receivers would probably be substituted by new devices, such as contemporary PCs and phones and the radio industry would tend to the further integration with other industries and the satellite radio is an inevitable part of it.

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4 The Swedish Radio and TV Authority 2008
Conclusion

Thus, taking into account all above mentioned, it is possible to conclude that the radio industry, initially created by amateurs attempting to find the ways to increase the ways of communication, gradually became a great business which potential was revealed at early stages of the industry’s development. Nowadays, the radio industry achieved really great results and the contemporary world is practically unimaginable without radio which entered every household and at the present moment it is in a hand reach of any individual.

It is obvious that radio became a powerful means of communication and one of the major mass media. This is why it is necessary to pay a particular attention to the development of the radio industry.

At the time of downfall, after the TV and II revolution, the entry of satellite radio really helped the broadcasting industry to keep it alive.

For many listeners who have experienced satellite radio, the enhanced features make the small monthly fee for the service well worth it. Certainly it offers a broader and potentially higher quality entertainment experience than its predecessor which makes it worthy of a look by those who haven't yet experienced this newer version of radio.
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