Satelite radio

Business

In 2001 , Satellite Radio was new technology that many felt would revolutionize the way we listen to radio. It was the first major advancement In radio since FM emerged In the ass's.

Satellite radio Is a radio service broadcast digitally-encoded audio to Earth-based receivers, either directly from an orbiting satellite, or from the satellite to the receiver via terrestrial repeater station. Receiver radios were primarily in cars but could be in households, offices or carried as portable devices.

Sirius Satellite Radio was founded by Martinet Ratable, David Marseilles and Robert Brinkman in 990 and the company petitioned the Federal Communications Commission (FCC) for the use of S-band frequencies that the FCC later decided to allocate to digital audio broadcasting. In 1992, Ratable resigned as CEO and Marseilles took over as chairman and CEO and later changed the name to CD Radio and spent the following five (5) years lobbying the FCC to allow satellite radio to be deployed.

In 1997, CD Radio obtained regulatory clearance and not long after the FCC also sold a license to XML Satellite Radio formerly known as American Mobile Radio Corporation.

In 1999, CD Radio changed their name to Sirius Satellite Radio to avoid associating itself with the soon to be outdated CD technology. Although Sirius was established first, XML actually launched their first broadcast on September 25 2001 , nearly four (4) months before Sirius. Sirius first broadcast was on February 14, 2002 to only a few cities but expanded to the rest of the US by July 2002.

Both companies combined spent over $3 billion to develop satellite technology, build and launch the satellites and for various there business expenses. Both Sirius and XML offer commercial free music stations, as well as talk, news and sports.

With the ability to offer so many different channels, satellite radio has a wide variety of programming and huge potential user base. However, suppliers have all the bargaining power which forces Sirius and XML to pay heavy prices to offer these services.

For example, both companies are subject to pay performer royalties in addition to songwriter royalties (cannot have a Beetles station without the consent of the publisher). XML signed a $650 million II-year deal with Major League Baseball League (NFG). Consumer bargaining power on the other hand was low. Both companies offered specialized content with the same quality at basically the same price.

Consumer subscriptions were more influenced by content rather than brand differences.

Sirius and XML are the only companies in the satellite radio arena; however, there are other entertainment sources that could be perceived as prospective competitors such as Traditional (AM/FM) Radio which was and still Is free ND has local content and personalities that listeners are accustomed to and enjoy, but only offers a homogeneous shallow play list with inferior audio quality, not to mention, an average of 12 minutes of advertising per hour. However, many AM and FM stations have since switched to new digital technology which allow them to offer better sound quality as well as new programs and services.

Another competitor is Satellite and Cable TV which provide a wide choice of programming, with very high services bundled into the premium tiers of satellite TV operators like Direct TV. Mobile devices and MPH players such asApplephone, pods and pads are also competition for satellite radio as they make it possible for people to carry thousands of songs with them. Most MPH players and mobile devices are compatible with most car manufacturers which make them a viable alternative to satellite radio for individuals who primarily want to listen to music while they drive.

However, creating plastic can be tedious and tiresome and there is usually less choice in genres on MPH and they don’t offer live broadcasts. The relative disadvantage of satellite radio is that the listener cannot listen to exactly what they want, when they want, and don’t have the unlimited content options that tunes and potash make possible. Finally, Internet radio originally had some of the same advantages and disadvantages of MPH but with the advancement of technology over the past couple years, internet radio probably poses the biggest threat to date for satellite radio.

Streaming internet services such as Pandora, Spottily and radiation offer personalized online radio with more control.

Both companies utilized mass media advertising from the beginning to generate awareness and brand name recognition but the primary marketing strategy was to partner with automobile manufactures to install these systems in new vehicles. XML first contracted with General Motors to install in Cadillac's but also had exclusive deals with Honda, Toyota, Ionians, Saab and Hounded. Sirius partnered withFord, Chrysler, BMW, Mercedes, Mazda, Jaguar and Volvo.

New vehicle owners were given a free trial period after which they had the option of subscribing to the service.

Subscriptions ranged from $9. 95 to $12. 95 and various subscription options like month to month and lifetime subscriptions were available. XML and Sirius would offer a free trial period where many target consumers as possible could experience the products risk free. Sampling programs were also developed with car rentals companies so when travelers rented a premium level car they could experience satellite radio.

In 2006 Sirius and XML controlled the market providing nearly 14 million in subscription combined but both wrestled with slowing subscription growth and huge bet.

Neither company had yet earned a profit although Merrill Lynch projected XML would break even by the end of the year. XML had more subscribers, about 8 million, compared with about 6 million for Sirius, but it had about $1. 3 billion in long-term debt, $3 million more than Sirius. In 2007, Sirius and XML announced they would merge, calling themselves Sirius XML Radio Inc. Stating that it was the only way satellite radio could survive. Both companies realized that the period of hyper- growth was coming to end, and the stage of growth combined with cash creation squired more efficiencies.

Sirius and XML could prosper much more easily if they took up the fight against terrestrial radio operators, rather than against each other. Similar to what several local AM/FM radio stations do when they accept a smaller share of the big audience for the most popular programming formats to generate more revenue and profit.

In 2008, the FCC approved the merger and Satellite XML has gone on to be very successful. In 2012 Sirius Ism’s reported subscriptions at 23. 9 million which was attributed to a 60% penetration rate in the new car market, 45% of loud have partnered to develop the infrastructure for satellite radio they could have avoided the merger because debt would have been significantly lower, allowing both to experience profits at an earlier stage, ultimately resulted in a win-win situation for both companies.

They were both too eager to control the market that they made bad deals acquiring programming content. From the onset, both companies should have done what was ultimately the result of the merger and worked together to control the radio market as a whole, oppose to Just focusing being the king of satellite radio.