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RADIO'S

DOOMSDAY

DEVICE
THE INTERNET SONICBOX

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INTERNET EXPERTS REVEAL HOW YOU CAN MAKE MONEY ON THE WEB

Competition CATASTROPHE

A Device That Will Add 800 Stations To Your Market

Just imagine ... you're sitting in your recliner, reading a good book. To your left is a remote-control tuner for your FM stereo. On that tuner is a choice of more than 800 Radio stations — all of them originating from your PC and broadcasting through your living-room stereo.

The technology is a Sonicbox Tuner from Sonicbox Inc., based in — surprise! — Silicon Valley. These four men — founders (l-r) Niko Bolas, Ian McDowall, Mark Bolas and David Frerichs — may have just cluttered the Radio dial with their new invention, even more-so than the government did with 80-90.

For the consumer, the Sonicbox means a nearly unlimited selection of Radio stations. To the Radio manager, it may mean additional competition on top of the many other competitive factors facing Radio stations in the near future. Or, it may mean an additional stream of revenue in an increasingly volatile, performance-demanding atmosphere.

Frerichs is president of Sonicbox. In his interview, he says, as most Internet/Radio people say, "We come in peace."

You decide. 22 ►



V I E W



NEAT INVENTION

INK: What is the Sonicbox tuner and how does it work?

FRERICHS: The Sonicbox Tuner is a device that lets people with a broadband-connected PC listen to Internet Radio with the turn of a knob anywhere in their home from any FM receiver. It consists of two units. One of the base units plugs into your PC and that broadcasts your audio coming out of your PC on an empty FM frequency. For example, if 88.3 is empty in your market and you broadcast out to any Radio within 100 feet of your PC, you could tune your Radio into this tuner.

The other part is the tuning device itself, and that is where a lot of our value comes in. The Sonicbox Tuner is something you carry with you. It operates over a Radio frequency so there is no line of sight required within 100 feet of the computer. You can walk around with this and spin the knob, and it lets you tune in Internet Radio the same way you tune in your FM stereo.

The great thing about it is that we are able to transform **Internet Radio** from an experience of simply sitting at the PC like some do for an hour a week, to making it part of every user's day. We are

taking the signal and reaching consumers at home during the day no matter what they are doing, as opposed to Internet Radio's being an "at-work" experience. Internet Radio becomes part of their day. **How did the three of you get together to create this device?**

I have known Mark Bolas for a long time. We worked together back in '91. In April of this year, he took me into his garage and showed me the first Sonicbox Tuner. I immediately fell in love with it, and we started the company together. He came up with the idea over a year ago and completed the first prototype this year. A number of factors converged this year and led us to believe the market is finally ready for this product.

What were those factors?

There were finally a large number of Radio stations that were starting to broadcast over the Internet, so the content was out there. More than 2,000 traditional Radio stations are streaming their signal on the Internet. You have tons of Internet-only stations and, of course, a lot of pirate stations out there, as well. The content really came into being.

The quality of the signal rose to a point where people could actually listen to the stations for a lengthy period of time.

The broadband market also started to take off. You will have that listener base who will be able to experience the

signal in a way that they would enjoy it.

And, the power of the PCs came into being so you did not have to worry about someone's being able to decode the signal.

THE CONSUMER

Where would I go and buy this?

You will be able to get it through a number of different channels, but we are not ready to announce them yet. There will be some retail, and other distributors. **When it is available at a retail outlet and consumers purchase it, what will they have to do to make it work in their home?**

You plug the unit into the audio jack in the back of your computer. It's a little base unit the size of a matchbox. You install the CD-ROM which goes through about a minute of software installation. You then set the box to an empty FM frequency in your market. You walk over to your FM tuner and tune it into the empty FM frequency. Spin the dial and you are listening to Internet Radio.

Explain the technology.

We are developing the unit so, when you turn the knob on the Spin Box, each position on the knob indicates another Internet Radio station. When you are tuning across your FM dial and you hit a certain frequency, it listens to a certain Radio station in your local market.

It is the Radio equivalent of the TV cable box. On the cable box, you turn your TV to channel three, and now you have access to 120 different stations.

Internet Radio
According to Arbitron, Internet listening is growing but not yet habitual. In one year, the portion of those listening to Radio stations over the Net has grown from 18 percent to 30.

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The SonicBox is the same idea. You plug it into the wire, which is your broadband connection to the Internet. You tune your FM Radio to an empty frequency, and now you have access to 800 different Internet stations. **In one market you might be using 88.3, but in another market it might be 89.3; how are you working that out?**

The tuner just goes back and changes stations on the computer. The tuner only talks back to the computer and tells it to change stations. The transmission of getting it to your FM dial is done on an empty FM frequency, whatever that is in your market. It's user-configurable. When you turn on the box, you have to know that 88.3 is the empty frequency in your market, so you set the dial on the base unit to 88.3.

Did you need any regulatory approval for the unit?

It's only going within 100 feet, so it's covered within Part 5 of the FCC rules. It's 100 millivolt per meter. We are using off-the-shelf parts for this and not inventing this technology.

The Sonicbox has a remote control, just like a cable box.

The remote is designed to fit upright on a table. The way we are fitting 800 stations on this thing is that conceptually, when you tune your knob across the FM frequencies, you get about 30 to 33 stations. We are taking that same analog; when you spin the dial on the Sonicbox Tuner, you get up to 32 stations across that spin.

However, instead of having AM and FM only, we have channels A through Y. You can select different bands, and each one of them will have a different flavor. For example, the C band will be all-Country, and the N band will be all-News and the I-band will be International.

You select the band you want, spin the knob and get access to the 32 stations on that knob.

THE SOUND QUALITY

Will the sound be crystal clear?

We are targeting broadband signals, so that is one of the other benefits. "Broadband" refers to people who are connected by a DSL, cable modem or some other high-bandwidth mechanism to the Internet. That gives us quality.

It's about quality of signal and quality of connection.

If you are listening to your favorite station in your living room, you don't want to hear a tinny signal that keeps dropping out, like it does on your computer. If you use broadband, you get high quality. At a

minimum, it will be FM quality to CD quality coming across that line.

People who listen to Internet Radio at their PCs do it for an hour a week. That is because they are trapped at their PCs, and it's a low-quality signal. Since we will be using a broadband **24 ▶**

Kerbango Has Big Plans, Too



There are several companies pursuing different formats of a standalone Internet device that plays Radio stations. Some of those companies are not yet ready to announce their products or technology as Sonicbox has. But other companies are on the brink. One of those companies is Kerbango, based in San Francisco.

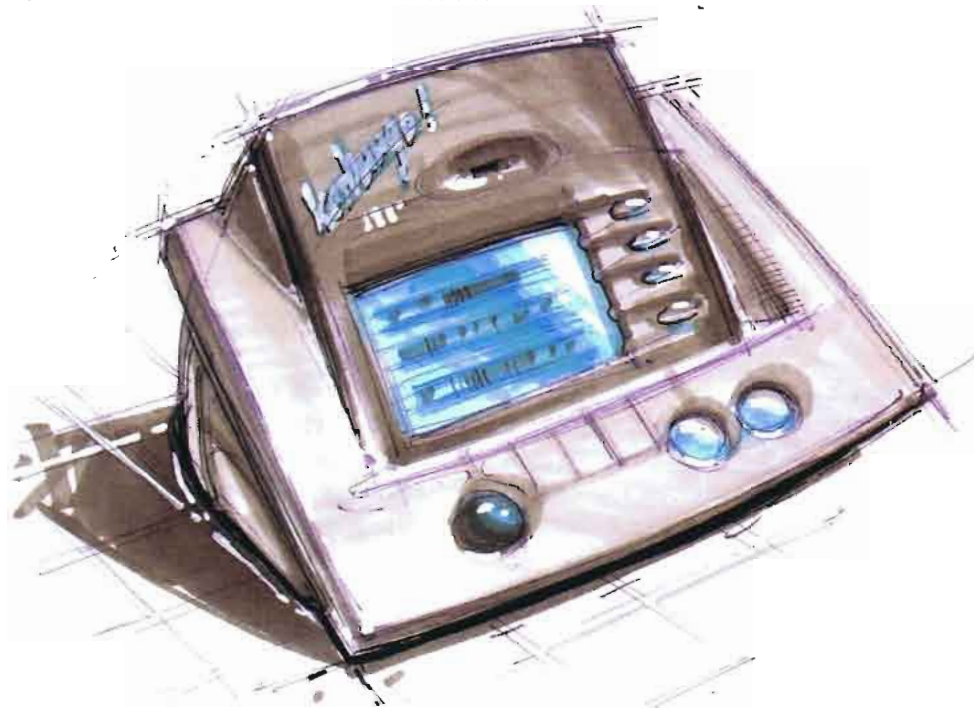
The Kerbango team is made of former executives of Apple Computer and Power Computing Corporation. The device Kerbango will be releasing in the first quarter of the year 2000 differs from the Sonicbox. "We are putting together what will be a standalone Internet Radio," says Kerbango President Jim Gable (above), "so that no PC is required. Our goal is to make it as easy to use an Internet Radio as it is to use an AM/FM Radio."



www.kerbango.com

Gable says there will be no limit to the number of stations on the device and the unit will be affordable. "Our observation," he says, "is that five years from now, it will be odd to expect a listener to go to their PC, launch a browser, find a Web page, start playing the PC, download the right software, and play the music."

This month, Kerbango will introduce the company to the public and make the announcement that a standalone Internet Radio device is in the works.



S I D E B A R

signal and they are listening in their living room or kitchen, they will be able to have a longer period of time spent with the media. Your Web presence is with them a lot longer, and you have the tell-me-more button.

Wouldn't you agree that most consumers don't have this technology yet?

Broadband is a growing market, which is why we are targeting it. The number of people with broadband just crossed the million mark this fall. It will grow into 4 million by next year. We are building our presence in that market first, because we know that is where the market will go.

All the Baby Bells are offering **DSL**. In most urban areas, people are able to get megabit, and higher, Internet access for \$50 a month. The difference in quality is great.

If someone changes from their usual Internet Service Provider to an Internet connection over cable, what will be different?

Your Internet connection is always on. You don't have to dial-up anymore. This is true of DSL and cable. Instead of plugging into a modem, you have an ethernet connection to a cable modem or DSL modem. That thing connects to your phone line or cable line. The broadband experience is that you don't dial-up anymore.

WHO'S ON THE AIR?

Where are the Internet Radio stations coming from?

We are going out and licensing stations. We are out there talking to content providers now and getting them to sign up to be on different positions on our tuner. Unless you have a relationship with us, you won't be on our tuner.

We are interested in all Internet stations whether they are Radio stations streaming their signal or someone who is an Internet broadcaster. If they are providing a stream in Real Audio, ASX, or streaming MP, we can point to them directly, and they can be one of the stations on one of the bands.

Our goal is to create a strong flavor of the kind of stations you get on the Sonicbox Tuner. In terms of our recruitment, we're working with the VP of A & R at Capitol Records, Steve Schnur. He's helping us target and sign stations that have a strong local flavor.

One of the things this box will be able to do is give a diversity of programming you can't get any other way. For example, in the San Francisco market, most of the Radio stations are owned by one of four companies. You don't hear much diversity of programming. It's rare that you turn on the Radio and hear something you like. If you have access to 800 different stations —

DSL
Digital Subscriber Line: broadband Internet connection (10-30 times faster than 56K modem) that's "always on" over existing phone lines with your existing phone number, transmitting voice and data signals at the same time.

all of which all have been selected to give you a unique flavor of some kind of genre — that gives you a high probability of finding something you like.

What if a Radio station is "the" station in a particular market, flavor-wise, but does not stream its audio?

We are partnering with other companies to accommodate that process — iBeam is one we have announced. These partners will get these stations online if they are not online already. If there is a station we want, we can work with them to get them online and streaming. That is not our business, but we have selected partners for that.

If I own a Radio station and wanted to be on your box, how much would you charge me?

We are working out longer term agreements with stations that fit our profile. Initially, they don't pay to be on the box. We work out a revenue-sharing model for things like the advertising, CD sell-throughs etc.

Howard Stern's Radio contract is up soon. If you wanted to, you could pitch Howard about being on the air, totally unfiltered.

Theoretically, yes. There is no regulation of broadcast over the Internet.

THE REVENUE MODEL

How will you make money?

We will sell the box. We also have a number of back-channels on the box. The most obvious and usable is the tell-me-more button. Anytime listeners hear a song they like, they can click on the tell-me-more button and get an e-mail with a link to buy that song.

By the time we roll out, we will have a voice synthesizer that says, "You just heard the latest song from the Rolling

Stones. Click yes to buy it online if you have registered your credit card."

There will also be ads on most of the stations we tune in to. We have an ad delivery vehicle. Unless we have a subscription model or a public Radio station, it is highly unlikely that there won't be ads on the stations.

There is a lot of competition on the horizon for Radio. Why shouldn't the Sonicbox be considered competition?

The feedback we have received is all positive in terms of how we will be able to provide Radio companies with more ad slots to sell. We do that by actually having an individualized ad delivery system on the Sonicbox. We are able to tell how long a person listens to a certain station, track that user across multiple stations, the user's listening patterns. Users are able to opt-in and tell us who they are and what their e-mail address is.

We can offer Radio stations revenue from ads that we sell across the dial. If the ad hits on their channel, and the user hits that ad on their channel, then that station gets the revenue from that ad. Let's say they want to resell their Internet avails according to demographics different from their on-air avails, we can offer them that insertion capability.

If Joe Bob's Ford, a major advertiser, is in the middle of Texas and I am here in California, that does not do me or the Ford company a lot of good. If the Radio station can resell that ad slot because it's over the Internet, then it has an empty slot that can be resold.

It's relevant because it will be delivered on a per-user basis, and it gives stations revenue that they otherwise would not have. It gives them access to an audience they could not reach. It allows them to have a revenue model of getting and selling ad spots to which they would not have had access.

Is this unit about replacing traditional Radio?

Sonicbox will not kill Radio, like cable did not kill TV. It created a level playing field where diversity blossomed. Niche programming was able to reach a wider audience. If you want to get access to an audience you are not able to reach today, you will be able to do that through the Sonicbox. It is about reaching a larger audience. ☺