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Audio Players

As Podcasts Boom, Big Media Rushes To Stake a Claim

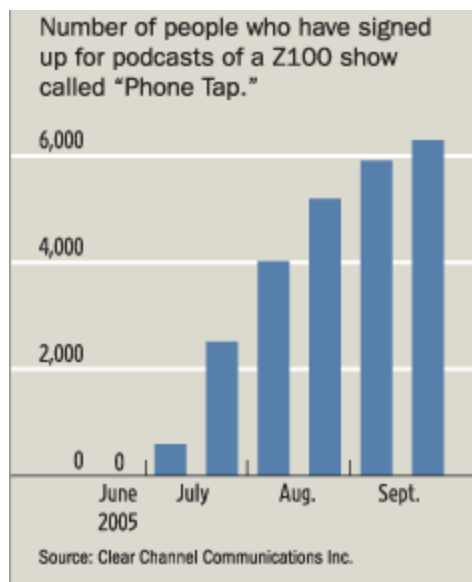
**Clear Channel, Networks Jump
At Offering Downloads
After Lessons From Rivals**

'Is Anybody Out There?'

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Staff Reporters of **THE WALL STREET JOURNAL**
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Bruised by earlier failures to embrace new technologies, big media companies are rushing into the two-year-old field of podcasting -- audio programs for downloading onto computers or portable music players. The high-stakes goal: grab young listeners, even at the risk of cannibalizing existing audiences or wasting time and money on a technology that may never go mainstream.

Radio giant **Clear Channel Communications** Inc. is selling memberships to a Rush Limbaugh club that includes podcasts and offering free podcasts of popular radio shows preceded by a 15-second ad. **Walt Disney** Co.'s ABC News offers a podcast of Nightline and other programs. National Public Radio is offering podcasts of shows from "Latino USA" to "All Songs Considered."



For listeners, the advantage of a podcast is convenience. Their favorite programs download automatically from the Internet, usually free of charge, and they can listen to the programs any time they wish. They can also listen wherever they wish, if they have an iPod or other MP3 player to receive the downloads.

Like many new technologies, podcasting may be snubbed by the wider public or fail to spawn a profitable business model. But the media industry's scramble signals its determination to avoid a repeat of earlier debacles when companies were slow to deal with new technologies.

Tough lessons from the past include Napster and other music file-sharing programs, which damaged CD sales even as the music industry dallied in offering ways to buy

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music online because of copyright issues. Another example is satellite radio, with its hundreds of channel choices. Its emerging popularity surprised regular radio companies, who dragged their feet on developing technologies to fight it such as squeezing more channels onto the regular radio spectrum.

For traditional media companies, one danger of promoting podcasts is cannibalization: People who are listening to podcasts on their iPods aren't sitting in front of the TV or listening to a regular radio station. But executives say if they don't push their podcasts, somebody else will and they'll lose these listeners altogether.

Tim Brown, a biology graduate student in Salt Lake City, uses a gadget that allows him to play podcasts over his car radio. "I basically don't listen to the radio any more when I drive around," he says. The technology has increased his loyalty to some NPR shows, he says, because he can listen to them on his own schedule.

At the recent Los Angeles Digital Hollywood conference, where entertainment and technology movers and shakers gather to discuss trends, panel members waxed eloquent on "clipcasting," or podcasts delivered to mobile phones. Media executives speculated on how quickly video podcasts would emerge, perhaps to be played on a video iPod that **Apple Computer Inc.** is developing.

There are still plenty of hurdles to clear before podcasting becomes ubiquitous. Just 15% of American homes own a portable MP3 audio player like an iPod, according to the Consumer Electronics Association of America. And because of rights issues that make it expensive and time-consuming to podcast copyrighted music, podcasting is largely limited to talk radio and unlicensed music.

"All podcasting is about is making it easy for the [small percentage] of the population that owns an iPod to record to a specific device," says Bob Neil, president and chief executive of Atlanta-based **Cox Radio Inc.**, which is not yet podcasting any shows. "People have been recording their favorite radio shows since the age of the cassette."

Begging for Feedback

Even one podcaster is unconvinced. "Is anybody out there?" asked John Montone, a reporter at New York's 1010 WINS, in a recent podcast. He said his regular radio show on WINS, which is owned by **Viacom Inc.**'s Infinity Broadcasting, inspires many phone calls and emails every day, but on "this new, emerging, cutting-edge technology, where I give out my email and practically beg for feedback, I get nothing." In an email interview, Mr. Montone says the podcast has brought about 20 emails from fans assuring him they're listening.

Podcasting first made it onto the map a little over a year ago when Adam Curry, a former presenter of music videos on MTV, and software developer Dave Winer started a short-lived talk show called "Trade Secrets." It was available only on the Internet, and the site offered listeners a way to download the program automatically each day so they could listen to it at their convenience.

The technology got a big jump when Apple in late June introduced a new version of its iTunes software, which people use to organize songs and audio files. The new version simplifies the process of finding and installing podcasts on iPods. Apple's popular iTunes Music Store, which sells songs for downloading, now includes 15,000 free podcasts ranging from amateur shows to

slick mainstream programs by commentator Al Franken and others. Users have subscribed to more than seven million podcasts.

In a development that could further boost the medium, **Yahoo** Inc. today introduced a podcasting directory akin to Apple's. Yahoo intends to eventually link to relevant podcasts from movies, news and other sections of its sprawling Web sites.

In May, ABC and **General Electric** Co.'s NBC announced podcasting projects from their news divisions on the same day. Jeff Gralnick, a veteran television news producer and consultant to NBC, said the network felt compelled to announce its podcast plans before its shows were officially released because ABC had announced its own efforts. Both networks offer mostly edited clips from existing television news shows such as Nightline, along with some content available only in podcast format.

Mr. Gralnick says NBC approved its podcasting project quickly, without hand-wringing over whether the network can make money from the effort. "You need to become a stakeholder and you need to be a first adopter of technology," he says. "As it becomes a generally adopted technology people know you are there. Revenue for podcasting is over the horizon."

While the term podcasting evokes the iPod, most podcasts, including many available through iTunes, will play on any MP3 player or computer. Those familiar with the technology draw a distinction between a true podcast, which connotes the regular, automatic downloading of an audio program via special software, and the mere posting of an audio file on the Internet, which users can click on once and never return to. However, the distinction sometimes blurs when audio program makers offer their content in both forms. From their perspective, it doesn't matter which listeners choose so long as they listen.

Few companies are doing more than Clear Channel, the nation's largest radio broadcaster. It offers material from nearly 40 different stations as podcasts. Another part of the company, Premiere Radio Networks, is experimenting with paid podcasts of popular hosts such as Mr. Limbaugh and comedian Phil Hendrie. Fans pay around \$7 a month to belong to a membership club that includes podcasts of the full shows.

The moves come as Clear Channel, like other radio companies, is trying to redefine itself. "We're not limited to a single distribution platform," says John Hogan, Clear Channel's head of radio. He argues that radio should start thinking of itself less as a collection of over-the-airwaves stations and more as a content provider. Frequencies and transmission towers, he says, are "the foundation of the business, but they're not the limitation of the business."

Drawing Listeners

"If we take our best pieces of programming, and we brand them, and put them out there, we're going to grow our audience," adds Evan Harrison, Clear Channel's head of online music and radio, whom Mr. Hogan hired away from **Time Warner** Inc.'s America Online. Mr. Harrison says stations receive feedback every day from people who stumbled across a podcast and now plan to tune into the station regularly over the airwaves or online. Jonathan Clarke, host of the Sunday night "Out of the Box" new music show on New York's Q104, cites emails from podcast listeners as far away as Brazil.

Besides drawing more listeners, Mr. Harrison says podcasting can bring in advertising. That's key

for a company that saw radio revenue grow just 2% last year after shrinking slightly the year before. At first ad-free, Clear Channel's podcasts now include a 15-second advertisement before the programming -- short enough that people won't fast-forward through it, Mr. Harrison believes. Sponsors include Virgin Mobile, a prepaid cellphone service; a Phoenix car dealer, and a Dayton, Ohio, Apple store.

Mr. Harrison sees a day when Clear Channel can add another profit source by encouraging listeners who hear a podcast interview or song to visit a station's Web site and buy a full album through a retailing partner. Clear Channel already has a partnership with **Amazon.com** Inc. He's less enthusiastic about charging for podcast subscriptions in his part of Clear Channel's business. Paid podcast clubs are about "skimming to the core" of the fan base, he believes, whereas he wants to create new fans.

Rather than quick profits, the main driver of podcasting is concern about holding onto listeners, especially among the crucial teenage audience radio executives worry they are losing. A recent survey from Yahoo and OMD Worldwide, a top media buyer that is part of Omnicom Group, shows that 47% of people under 24 prefer to listen to music on the Internet. Only 27% said they preferred radio.

Mr. Harrison has faced skepticism from some of Clear Channel's radio producers, who feared people might skip regular broadcasts in favor of podcasts. "The last thing we want to do is give people a reason not to listen to that appointment media," says Mr. Harrison.

So he is mixing things up. A podcast called "Phone Tap" is based on a regular spoof involving a prank phone call aired on Z100 in New York. But the podcast doesn't replay that day's call. Instead, the clip podcast listeners get might have aired a few weeks earlier or might be created exclusively for the podcasts. Podcasts of "Out of the Box," the Q104 new-music show, typically don't include the entire one-hour show.

Many people listen on computers via a one-time download instead of a true podcast because they don't own portable audio players. "They just click and listen while they work, and don't even worry about getting an iPod," says Tom Jackson, manager of Internet services at **Jefferson-Pilot** Corp., a Greensboro, N.C., radio company that just started its first podcast.

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