THE HARMELIN MEDIA REPORT

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Sirius and XM: The Merge

by JoAnne Johnson

On February 19, 2007, Sirius and XM, the two satellite radio companies, announced their plan to join forces. The prospective merger raises concerns about anti-trust laws and it will have to be approved by federal regulatory agencies. How will the merger affect the advertising media industry?

One positive outlook from advertisers is that if XM and Sirius combine, it will enable marketers to more narrowly purchase an already finely targeted medium. Overlapping niche satellite channels will be cutback, which would make them more efficient to buy.

The bottom line, however, is that media professionals never like the idea of one company monopolizing a medium. Granted, satellite radio contends with free radio to an extent, but satellite continues to be the "cable" of the radio industry, with just a small percentage of the audience that free radio retains. If combined, XM and Sirius would reach almost 14 million subscribers (neither XM or Sirius issue audience estimates for their individual channels). Even if satellite had an optimistic three listeners per unit per week, it still doesn't compare to the 223 million AM/FM P12+ weekly radio listeners. Even after a merger, satellite would only represent a fraction of the $20 billion terrestrial-radio advertising market. But XM's and Sirius's 2006 $70 ad revenues are

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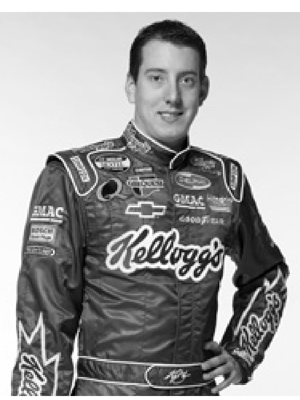
Activation Needs Motivation

by Mark Hogan

Synergy. Integrated Marketing. Sponsorship Activation. These are everyday sales and marketing terms that get tossed around so loosely in today's world that sometimes we wonder if the people using them really know what they mean. Anyone can quote from a sales printout that a sponsorship/ campaign generated "x" number of leads and dollars as the return on investment. But the larger questions remain as to why and how did this ROI happen, and could the return have been greater? The answers all lead back to the sponsorship's activation.

Before we go into details on what activation means and how it should be applied, let's examine a particular sponsorship as an example. NASCAR is one of the most sponsored sports in the world, and the companies that sponsor the drivers leverage every ounce of the promotional strategies to their favor. Newcomer race car driver Kyle Busch drives a Chevy car and is sponsored by Kellogg's. Kellogg's will completely wrap Kyle's car with their logo and a caricature of Tony the Tiger. But beyond that, Kellogg's, Chevy and NASCAR will create multiple levels to the partnership, each promoting themselves while promoting the sport at the same time.



Kellogg's, for its part, will partner with grocery store chains across the country and will have a Kyle Busch display car in stores to promote the sponsorship and try to boost Frosted Flakes sales. Each box of cereal will feature Kyle and the car on the front, with an offer for fans to send in four UPC's and some shipping charges to get their own collectable series piece. This offer will be for a 'limited time,' but

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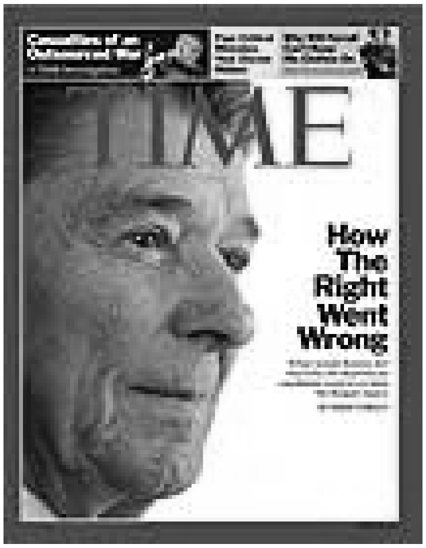
Shifts in Magazine Currency

By Gina Yeakel

In November, *Time* magazine announced a plan to allow advertisers the option to buy ads based on audience rather than rate base. Audience is a measurement that reflects actual readers, not just the circulation. Audience data is available only though national syndicated market research resources such as MRI or Simmons. Invariably, a magazine's readership, or audience, is greater than its circulation because more than one person generally reads each magazine copy. Publishers argue that this is a more accurate reflection of their magazines' advertising impact. They are reaching more people than the circulation figures reflect.



In another change from tradition, Hachette Filipacchi Media recently announced plans to report circulation by issue rather than six-month average for *Car & Driver* and *Road & Track* magazines. Each will be subscribing to the Audit Bureau of Circulations' Rapid Report which will report magazine circulation by issue just weeks after the publication date. The current system has a six-month wait for metrics.

These changes come as the Audit Bureau of Circulations began requiring magazines to report public place copies (doctors' offices, etc.) separately. Magazines were using this type of subscription to beef up circulation in order to reach promised rate bases. A rate base is the minimum circulation a magazine guarantees to its advertisers. Increases in printing and postage costs, combined with decreases in advertising pages over the last two years have forced many magazines to examine just how realistic the rate base really is. Keeping that rate base is expensive — publishers spend heavily on marketing to maintain and grow circulation. Titles that have relied heavily on subscription agents are looking for other ways to maintain circulation as these third-party services have become expensive. Publishers are trying to focus on the best newsstand outlets to increase sell-through. Cover prices are starting to increase as well. *Time* and *Woman's Day* have both announced that they would cut their rate base by 19% and 5% respectively. Expect others to follow and still more to move suffering titles to a web-based format like *Teen People* and *Elle Girl*.

Advertisers have mixed reactions to this news. The emphasis on audience will level the playing field with broadcast, cable, and internet who have always been sold on audience data. All qualitative research is based on audience numbers. Yet no one seems eager to rush out to buy a page solely based on audience. It will take some time to move away from the circulation and cost per thousand circulation model.

The Rapid Report will help as the lag time between issue and reporting circulation has long been a complaint of advertisers and publishers alike. But will single issue measured audience ever become the standard?

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could span three or more months. Kellogg's will also purchase space in grocery store circulars to promote their sales, as well as the grocery store chains purchasing ad time/space to promote their store sales featuring specific products like Frosted Flakes. Each partner down the line is spending money to promote themselves, while also promoting the original product and sport partnership. When the promotional period is complete, Kellogg's will review the sales of Frosted Flakes, and measure the increase in total units sold as well as the total collectables distributed to estimate a simple ROI.

Most people would say that this is a common sponsorship for NASCAR and would expect to see it. But what about in other sports? Other media? Other campaigns? The key to maximizing a client's dollars spent on a program is in the "activation." This means leveraging all of the possible assets of a sponsorship to drive consumer behavior.

Kellogg's could have left it at putting its name and face on a car that is seen by millions every weekend from February to November. But the company decided to spend a little more money to take the league and team association one step further, and utilized Kyle Busch's and NASCAR's images to build its brand and drive consumers to the stores to purchase a product… with a benefit for buying more of the product. The company surrounded consumers with messages on TV and radio and in newspapers and stores to reinforce its association with the properties. This created synergy at every level of the promotion and integrated their own partners to leverage the initial investment. These partners then encouraged consumers to demonstrate their loyalty to NASCAR, to Kyle Busch and, most of all, to Kellogg's by purchasing the product.

Too often in sponsorships, companies spend hundreds of thousands, even millions, of dollars to be affiliated with a team, product or company, only to stop at the initial level of association. The key to maximizing a sponsorship and acquiring the best possible return on investment is to not only leverage the team, product or company, but to also leverage the venue and media that cover the event. A sign in a MLB ballpark can reach 20,000 fans each time there is a game; a billboard on a highway can do the same. Sampling gets your product into the consumers' hands mainly because it is free, but what would make them want to pay for it?

Often, fans will remember their positive experiences more than the game or event itself. No one will remember what happened in the 3rd inning of a baseball game when neither team scores. But what they will remember is that at the Mountain Dew X-Games, Oxy had a "Chill Pad" where you could meet the competitors, go on a computer and play games, win contests, read a blog by Dave Mirra and see photos and stats of the events; and fans at home could log on to the same site to get the information while watching a live video feed of the "Chill Pad."

It's understandable that not every company that participates in a sponsorship is going to have the incremental dollars to add these types of elements to their campaign. But we should always be asking the question — with a little extra effort and/or budget, how could we make it better? Make that web banner into a promotion or contest where there is a give-away prize, from your company or another that would tie-in (integration). Add an in-arena promotion that would enhance your signage and sampling presence (synergy). Turn your sampling area into a fun-zone with games and Internet access to your company's and the team's web pages (activation). Many of these types of additions can be made with little or no incremental dollars. All it takes is a little creative thinking and back-end effort. In the end, the results could help generate important target and demographic information, and most of all help push the bottom line for a larger return on the initial investment.

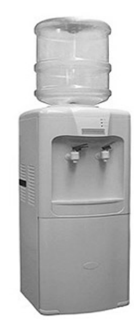
Around the Water Cooler

A Completely Unscientific Survey of Harmelin Media Employees…

This Month's Question:

What Primetime Network Program has 'Jumped the Shark' this Season?*

Lost (ABC)	**36%**
Grey's Anatomy (ABC)	**29%**
Desperate Housewives (ABC)	**14%**
Survivor (CBS)	**14%**
24 (FOX)	**7%**



*'Jumped the Shark' refers to an episode of *Happy Days* in which Fonzie, literally, jumped a shark while waterskiing. Critics say the episode was the defining moment that marked *Happy Days'* downfall.

(Continued from page 1) ***Satellite Radio***

about 7% of terrestrial network radio revenues. At this time, satellite is a national, rather than local medium.

While satellite radio subscriptions have increased steadily, the same cannot be said for the industry's profits. Both services had approximately $6 billion in combined losses last year.

If competition in the satellite radio realm is eliminated, will the newly-merged monopoly work to ensure that pricing stays the same, or decreases, for both subscribers and advertisers? Sirius CEO Mel Karmazin and XM Chairman Gary Parsons have promised that the merger would bring customers enhanced content and better choices (notice no mention of lower prices). A broader range of programming and eliminating overlapping stations is an obvious positive attribute.

More importantly, a way to pass along savings to the subscriber and advertiser would be to drastically cut sales and marketing costs. An ongoing war of retaining talent escalated to ridiculous proportions over the years as Sirius and XM fought for such content as Howard Stern, the NFL, Major League Baseball, and Oprah Winfrey. Dennis Wharton, Executive Vice President at the National Association of Broadcasters told *MediaWeek*: "When the FCC authorized satellite radio, it specifically found that the public would be served best by two competitive, nationwide systems. Now, with their stock prices at rock bottom and their business model in disarray because of profligate spending practices, they seek a government bailout to avoid competing in the marketplace."

The obvious stand-out is Howard Stern's five year contract with Sirius for $500 million plus stock options. XM trumped that deal by signing with Major League Baseball for eleven years at $650 million. These are just a few of the heavy contracts that satellite radio took on to entice subscribers.

Harmelin Media Welcomes SnagAJob.com

Harmelin Media is pleased to announce that we've been named the media planning and buying agency for SnagAJob.com. SnagAJob.com is the nation's largest job site for hourly employment, and is the only online job site that connects employers looking for hourly workers to qualified job seekers looking for part-time and full-time hourly jobs. SnagAJob was started in 1999, dedicated to support the backbone of the U.S. economy and the roots of the American workforce – the hourly worker. SnagAJob's mission is centered on three core characteristics: collaboration, accountability, and passion.

SnagAJob.com boasts over 117 million annual job searches and offers employers a great way to get pre-screened qualified job candidates quickly. Harmelin Media looks forward to a long-lasting relationship with SnagAJob.com.

snagajob.com™

However, if a merger is not approved, will advertisers have to make up the difference in spot costs? Will subscribers drop off due to the fact that satellite will have to open up advertising on more channels - thus negating the previously marketed appeal of commercial–free satellite radio in the first place? Will talks of the merger affect potential sales, while potential subscribers "wait and see?" There are more questions than answers at this point, especially when it comes to how the government will side.