

# XM Radio set to battle Apple's iPod

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XM Radio is the latest company to step in the ring with Apple's iPod. The satellite radio provider has teamed up with Samsung and Pioneer Electronics to create a pair of devices that combine on-the-go XM service with MP3 playability.

"We expect to become a significant player in (the MP3 player platform)," said Chance Patterson, vice president of corporate affairs at XM. "We are offering all the benefits of an iPod plus the exploration and convenience of satellite radio."

Ryan Saghir, satellite-radio expert and blogger at Orbitcast.com, said that XM's new devices can "absolutely" compete with the iPod.

"It's the evolution of digital music players," Saghir told UPI.

He noted the advantage of XM's untethered access to live content.

"iPod users feel constrained by having to go to their computer to download new material," he said. "There's no way to listen live. There's no way to find new music or discover new genres."

Patterson said that satellite radio and MP3 players have been the most successful audio products in the market in recent years.

"We want to make XM a part of every MP3 player purchase in the U.S.," Patterson said. "Any product that has headphones or speakers attached, we want to be a part of it."

Both Samsung's Helix and Pioneer's Inno feature the ability to bookmark songs heard on XM Radio, connect the device to a computer and purchase the song via XM's existing relationship MP3-purchasing service Napster.

"Adding the XM functionality to an MP3 player means you're no longer a prisoner to your own playlist," said Larry Rougas, vice president of marketing for Pioneer, in a news release.

"It's not easy to find new music to want to put on your MP3 player," Patterson said.

Saghir said that these new devices are "for people who are really into their music. The music elite are the initial ones who will be attracted to this."

On Monday XM also further extended its reach inside automobiles, announcing a deal with Lotus Cars USA to offer factory-installed XM service as part of the Premium Pack offered with the 2006 Lotus Elise.

XM already has similar relationships with General Motors, Toyota, Porsche and several other automotive companies. XM Radio is an available option in more than 130 different vehicle models for 2006.

"We are delighted that one of the world's legendary sports car brands has selected XM Satellite Radio as their long-term satellite radio partner," Paul Kirsch, XM's vice president of original equipment manufacturing, said in a news release.

"Having broad distribution in new cars has always been a key part of our strategy," Patterson said. He noted that in addition to all of XM's entertainment programming, they can offer traffic, weather and parking information to drivers.

He added that XM expects that by 2008, 5 million new out-of-factory cars will have XM capability.

Saghir said XM has done a good job of recognizing the historical popularity of radio-listening in vehicles and going after that market.

"The Lotus deal is indicative of how XM is targeting auto enthusiasts," Saghir said. "People who really love cars are now being branded with XM. It will create a word-of-mouth campaign."

Last Wednesday XM announced the creation of the Sportscaster, an XM receiver designed for sports fans. It features 30 pre-set sports-related channels and a wireless FM transmitter.

"We are seeing sports programming become a significant part of the appeal of our service," Patterson said.

Patterson noted that since XM and Major League Ball announced their exclusive contract in the fall of 2004, about 23 percent of new subscribers have cited baseball as a factor in their decision to get XM.

"Baseball is the crown jewel of sports on the radio," Patterson said.

Saghir said sports fans have embraced satellite radio as an alternative to televised sports programming.

"Radio allows for multi-tasking," Saghir said. "Watching TV is a dedicated experience; it requires a lot more of your sensory attention."

Saghir said that Major League Baseball and the National Hockey League are huge draws for XM Radio, the latter especially in Canada.

XM's main satellite competitor, Sirius Radio, boasts the rights to the

National Football League and National Basketball Association. Both services have rights to various college sports.

Saghir predicted that 2005's content battles between XM and Sirius could be largely over. "Both companies are going to work on trying to be profitable" in 2006, Saghir said.

The two providers engaged in an arms race of programming the last two years. XM ended up securing Ellen Degeneres, shock jocks Opie & Anthony, Air America, Fox News and Bob Dylan, among others. Sirius inked exclusive deals with Maxim Magazine, Cosmopolitan, and most significantly, self-proclaimed 'King of all Media' Howard Stern.

Sirius signed Stern to a five-year, \$500-million contract in October of 2004. The contract went into effect last Tuesday, when Stern had his first show on Sirius.

Analysts speculated at the time of the contract that Stern would need to attract 1 million new subscribers for Sirius to break even on the contract. Since the signing, Sirius subscriptions have risen from 2 million to 3.3 million.

"The Howard Stern gamble has worked out well so far," said Saghir.

Patterson said that the Sirius/Stern deal "represents a significant amount of free publicity for the satellite radio platform. The awareness of satellite radio continues to surge."

Patterson said XM, which recently broke the 6 million subscribers barrier, expects to extend its lead over Sirius in 2006.

"Because we haven't invested in one personality the way they have, we've focused on more options," he said. "We know there are millions of

people out there with wide tastes. We're going to continue to appeal to broad demographics."

Patterson admitted that at one point XM discussed with Apple the possibility of combining XM and the iPod.

Saghir said that while XM and Sirius would both love to work with Apple, it probably won't happen.

"I don't think Apple wants to, or sees a need to," he said. "If it's not broke, why fix it?"

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