

Web-radio specialists reel in traditional-radio clients

October 12 2011, By Alex Pham

Like Levi Strauss, who got rich selling goods to immigrants during the Gold Rush, the founders of Triton Digital are making their fortune by providing the technology to radio companies wanting to mine digital gold.

Neal Schore and Mike Agovino, two old-school [radio](#) executives and onetime competitors, launched their Sherman Oaks, Calif., company in 2006 to give traditional radio stations and webcasters a way to distribute their content online and on mobile devices. The partners also devised a way for these companies to make money by automatically inserting ads into radio programs and measuring audience engagement.

"What Triton tries to do is build the infrastructure and the tools to enable broadcasters (to) build their online business," said Mark Ramsey, a San Diego-based media consultant. "They're not only selling the picks and shovels to the gold miners, but they'll also truck the gold to market and sell it for you."

That proposition has sounded like a siren song to an industry that has seen advertising plunge 16 percent in the past five years and is facing fresh competition from nimble digital rivals such as Pandora Media Inc. and Slacker Inc.

The beauty of Triton's business model, however, is that it doesn't take sides in the battle between digital newcomers and incumbent radio companies. It happily sells its services to all comers, including Clear

Channel Communications Inc. and CBS Radio Inc., as well as Pandora and Slacker. The Tribune Co., which owns the Los Angeles Times, also uses Triton to stream its WGN-AM radio station's programs online. Tribune is a partner in McClatchy-Tribune News Service.

Triton is able to reel in customers from traditional radio because its senior executives hail from that industry. Agovino spent 18 years heading up national radio ad sales at Katz Media Group, which in 2000 merged with Clear Channel. He then became chief operating officer for Clear Channel's national radio advertising business until he left in 2003.

Schore, meanwhile, cut his teeth at Interep National Radio Inc., competing with Agovino for the hotly contested radio ad sales business before leaving in 2000 to start his own media advertising company.

In 2005, the two declared a truce over Caesar salad and chili at the Marmalade Cafe in Sherman Oaks and discovered they had the same goal: building a bridge for radio broadcasters to migrate their businesses online. They chose the name Triton, after the mythological Greek god, because they believed online radio would represent a sea change for the industry.

"We wanted to help plot the industry's course to digital," Agovino said. "But we wanted to play a partnership role, not a disruptive role."

Ironically, Schore and Agovino wound up creating the nation's second-largest syndicator of radio programming as a byproduct of building their digital dreams. To kick-start Triton Digital after the firm's launch in 2006, Agovino and Schore began acquiring a string of traditional syndication companies under a separate subsidiary called Dial Global. Eventually, Dial Global's annual revenue approached \$200 million.

In August, Triton Media - the parent company of Triton Digital and Dial

Global - agreed to merge Dial Global with publicly traded Westwood One, which provides more than 150 radio programs to more than 5,000 stations around the world.

The deal, expected to close later this year, would give Triton Media 59 percent ownership of the combined company. Triton Digital, which has annual revenue of about \$50 million, will remain a separate, privately owned company under Agovino and Schore. Schore will serve as chairman of the merged entity.

Westwood One had been hemorrhaging money for years and is hoping that by joining forces with a profitable Dial Global, the two could better compete with industry giant Clear Channel.

Westwood One's financial woes reflect an industry transition in which millions of listeners are increasingly tuning in to online radio stations that air fewer ads and let users customize what they listen to rather than be at the mercy of radio programmers.

"The industry is struggling to compete for declining ad dollars, which is leading to increased consolidation," said Agata Kaczanowska, an analyst with IBISWorld in Santa Monica, Calif. "And with so many people turning to online radio, some of those ad dollars are shifting online. That means a good portion of the ad money is never coming back to radio."

Radio advertising revenue in the U.S., which peaked at \$20 billion in 2006, is expected to bottom out at \$16.7 billion this year, according to IBISWorld, which projects industry revenue would level out at \$18 billion by 2016.

At the same time, online radio companies have their own challenges. Though Pandora and other online-only music services have enjoyed meteoric growth in the number of listeners in the past five years, their

audience size remains small relative to broadcast radio: 43 million online listeners compared with 240 million for broadcast radio in 2010, according to audience measurement company Arbitron.

In addition, advertising revenue for online radio remains minuscule compared with terrestrial radio. U.S. radio online ad spending was just \$600 million last year, compared with \$15.3 billion for broadcast radio, according to eMarketer. But eMarketer projects that the online share of radio ad dollars will grow rapidly, from 3.8 percent of the total in 2010 to 8.5 percent by 2015.

Industry veterans give Agovino and Schore a lot of credit for trying to compete in the still-evolving world of online radio.

"They remind me of what we were like back in the 1980s," said Thom Ferro, who was a senior executive at Westwood One for 22 years before becoming president of Broadway Entertainment, a producer of radio and television programs in Santa Monica.

"They succeeded the old-fashioned way. They work hard. They're honest. And they super-serve their clients. But they're also embracing the digital era, and they're figuring out how to make it work."

The same year Schore and Agovino decided to launch Triton, a newly published book, "Blue Ocean Strategy," posited that companies can succeed by creating their own markets rather than scramble for share in existing markets.

"It resonated with us because we felt there was so much uncharted water out there," Schore said. "We wanted to be the ones to build the services and technology to help the industry, rather than just compete for existing territory."

TRITON DIGITAL:

-What: Provides digital distribution tools and sells ads for online radio

-Headquarters: Sherman Oaks, Calif.

-Customers: Slacker, Pandora, AOL, Cumulus, Clear Channel Communications, CBS

-Annual revenue: \$50 million

-Employees: 250

-Founders: Neal Schore and Mike Agovino

-Launched: August 2006

-Investors: Oaktree Capital Management, Black Canyon Capital

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