SELLING SPOT RADIO TO NATIONAL ADVERTISERS

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I. BACKGROUND

Radio was enthroned as the medium of choice of national advertisers in the 1930s and 1940s, but was quickly supplanted by television in the 1950s. Although radio has persevered and prospered through subsequent decades—thanks to program formats and out-of-home listening—it is looked on as one of the "old" media, unlike TV, which has adapted to new technologies and retained its position as the dominant branding instrument for national ad campaigns.

Compounding its image problems, broadcast radio has, at long last, adopted a more precise electronic ratings measurement, only to find that the new PPMs indicate that its listenership levels have been dramatically overstated compared to the old diary method. On top of this, new forms of radio—satellite distribution, Internet streaming and podcasts—have eroded over-the-air listenership. Overall, the perception is that conventional broadcast outlets are out of step and steadily losing their listeners in the face of competitive media alternatives.

Recognizing that something should be done to "educate" agencies and advertisers about radio, the medium's leading players recently set up a research program under the RAEL (Radio Advertising Effectiveness Lab) banner. Various agency time buyers and radio executives were invited to sit on a committee that would decide which projects to undertake. To date, however, virtually all of RAEL's new studies, as well as compilations of past research, have focused on presenting radio in the best possible light. Because of this obvious promotional orientation, RAEL's efforts have not had the desired effect, namely to convince advertisers to switch more dollars to radio.

Over the past three years, radio's national ad revenue trends have flattened into a monotonous no-growth pattern. This is in sharp contrast to television, which, despite continuing ration erosion, increased commercial avoidance and ever rising CPMs, commands significant ad budget increases. If radio expects to redress this situation and stimulate national advertiser interest, a completely new approach is needed, including major changes in the way radio conducts business and presents itself as an advertising medium.

The following report discusses radio's ad sales problems—some of which are self-imposed—and suggests some solutions. Our goal is to strip away the self-serving "rah, rah for us" promotional veneer, which has accomplished nothing for the medium, and offer a more realistic view of radio's predicament. We feel that radio *is* a major medium that is *underutilized* by many advertisers, but it needs a major wakeup call, followed by concrete action, if it wishes to retain the national ad dollars it now attracts, to say nothing of improving its overall share of national media budgets in the future.

II. REACHING OUT TO ADVERTISERS AND AGENCIES

To begin with, radio must make a concerted effort to learn how it stacks up relative to other media—notably television—and how ad agencies and their clients *really* make media decisions. Unlike radio, the TV networks have made great strides in the areas of audience measurement (commercial, out-of-home and digital ratings), engagement metrics (commercial and program content recall, program liking scales, etc.) and other enhancements for advertisers (product placement deals, testing of new commercial break formats, etc.). These initiatives, which position the networks as “partners” with advertisers, have greatly enhanced the networks’ standing and reinforced television’s status as the medium of choice for national marketers.

If radio wishes to emulate the TV networks, it must create some qualified entity or high powered task force, perhaps under the auspices of the RAB, which interfaces with agencies and advertisers well above the time buyer level. Currently, radio research staffs are focused primarily on analyzing Arbitron’s rating reports and servicing its sales teams. The TV networks, in contrast, maintain much more diversified research units, including high level executives who can maintain a dialog with advertisers and translate their findings to management, often in the form of concrete recommendations for action. Radio has nothing approaching this level of involvement with advertising decision makers. Nor does it have organizational structures or qualified staffs with a mandate to redress this situation.

The people who manage radio stations and networks are rational executives who would respond to inputs about the media decision making process and the marketing requirements of advertisers if they were made aware of them. But the required depth of understanding cannot be attained via the buyer/seller machinations now in vogue, which rarely ride beyond the tactical level. To evaluate new strategies for wooing advertisers, radio must have strategic insights about their needs and issues.

III. MAKING ADVERTISERS AND AGENCIES FEEL COMFORTABLE ABOUT USING RADIO

If radio developed a meaningful dialog with advertisers and their agencies, it would soon learn that many do *not* think that radio is an effective means for communicating their messages to consumers. The plain truth is that while virtually every national advertiser thinks that it knows how to present its core branding message to the public through television, this is not the case with radio. Whereas advertisers routinely pretest the effectiveness of their TV campaigns and monitor awareness build-up as their ads are aired, no such body of evidence exists for radio

If radio is to deal with advertisers' lack of confidence about its effectiveness in communicating basic branding messages and, more specifically, its lack of a historical database to guide them, the industry must develop a major program to evaluate the impact of radio commercials. To accomplish this, radio should undertake this task as a long term effort, properly funded and using recognized and objective authorities on advertising impact measurements, not its favored, promotionally-oriented research suppliers.

In addition to seeking the advice of knowledgeable and impartial parties, the industry should conduct a comprehensive "base study," involving numerous radio ad campaigns for a cross section of advertisers or product categories. These would be measured on their ability to generate attention, to communicate the brand's message, motivation power and, if possible, the sales results radio ads engender. All findings, positive and negative, would be presented in detail, together with an analysis by an objective party, whose mandate would be to show how different types of radio executions work, or don't work, and how the medium functions as an advertising platform. TV commercials for the same brands should also be studied, using comparable methods, and their performance should serve primarily as a benchmark for evaluating radio's results.

The findings of the base study should be shown to major advertisers and ad agencies, and then released to all interested parties. The primary targets of the initial presentation should be advertiser marketing management and ad agency account managers and ad creatives. Obviously, media directors, planning group heads, etc. would be invited, but it is important to realize that the mandate to use or shun radio is often out of their hands. Ad impact, not CPMs, R&Fs, and so forth, is the critical decision point.

Since marketing directors, brand managers and agency account managers are not inclined to attend "media" presentations—especially those that are likely to be exceedingly promotional and self-serving in nature—it must be made clear that the findings are about advertising impact, not boring media statistics. Furthermore, it

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is vital that the presenters be people who know how ad campaigns are evaluated and have strong credentials in this field. Most likely the heads of the research firm that conducts the study, plus other noted experts would participate in the presentation and the preparation of the report that will be disseminated.

This would not be a one-shot exercise.

Obviously, follow-up studies, also with full disclosure, would then be developed to cover various aspects not dealt with originally, or in response to questions that arise. Also, radio should provide a testing facility, which would allow advertisers who are interested to get a quick read on potential creative approaches and, if possible, sales results. To stimulate such investigations, radio might even offer partial funding for such research.

The program we have outlined represents a total about-face for radio, which has traditionally geared occasional ad impact studies to blatantly promote the medium. Often, these are rehashes of old studies and almost without exception the findings are presented without client-specific details. This approach is not going to work with marketing managers, who want to know whether or not radio can sell *their product* and which approaches generate the best results.

Executing this idea would not be easy and its success would rest on how the effort is organized, the extent of its funding, and whether or not the right people can be recruited to participate. What is needed is a totally objective and independent operation that gains a measure of credibility and, most importantly, speaks the language of marketing managers, not time buyers and sellers. If the mission were successful, targeted advertisers would become involved in tests of the impact of their own commercials, and many would take up the offer of partial funding by radio, to initiate research on the sales effects of their radio campaigns. This should, in turn, lead to greater use of the medium on an ongoing basis.

IV. DISPELLING UNFORTUNATE MYTHS ABOUT RADIO

Ask most media planners about radio and they will recite the old canard that the medium itself has fostered: unlike television, radio is a "frequency medium." If pressed, however, few will be able to define this phrase in a meaningful manner. Does this mean that radio reaches small numbers of intensely loyal listeners? If so, is this a good thing?

The idea that TV was a "reach medium" while radio was a "frequency medium" was born from the Arbitron diary studies and the effective frequency concept that was popular in the 1970s. Arbitron's diaries showed that a typical person heard only 2-3 stations per week, but allocated 7-8 hours of listening time per station, so radio was categorized as a frequency medium. The timing was perfect, since advertisers and agencies during this period were fixated on the idea that in a given ad cycle reaching a consumer only once was ineffective, but in excess of six times was downright wasteful.

A number of heavily massaged studies seemed to indicate that 2-5 was the most effective frequency range for an ad campaign (the reference point being TV campaigns of course), and radio jumped on the bandwagon and tried to gain recognition as a medium that allowed planners to control their frequency. If you wanted 4 exposures per week, you merely bought sufficient GRPs per radio station to allow its habitual listeners to "hear" the ad message 4 times. It was as simple as that.

Unfortunately, scanner studies arrived in the 1980s and began to indicate that media plans—again, TV was the focus of most of these investigations—that attained the highest target group reach, rather than a certain dose of frequency, produced the most sales. These findings gave rise to the recency theory in the mid-1990s, which was completely at odds with effective frequency, stating that the "ideal" media schedule was one that attained the most reach per week with minimal *redundant* frequency. Many advertisers signed on to this concept while virtually all of those who had espoused effective frequency raised the white flag.

But not radio. Incredibly, many radio sales and marketing executives still describe it as the "frequency medium," apparently oblivious to the negative connotations this has with savvy advertisers. Actually, Arbitron's new electronic PPM ratings reveal that radio is much like TV in its reach and frequency patterns. Instead of 2-3 stations heard per listener per week, the PPMs state that the real figure is 6-7 stations; instead of 7-8 hours of listening time per station the PPMs say it's 3-4 hours. Both of these statistics are much like those of TV networks or cable channels. Moreover, the PPMs show that the reach of individual radio outlets is far greater than shown by the diary studies and that it expands significantly over weeks and months, again just like a typical TV channel.

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Does anyone know that TV-like reach levels can be attained using a reasonable number of radio stations in a fairly short time? Sadly, relatively few media planners and still fewer of their clients are aware of this hugely positive story for radio. Yet radio has done virtually nothing to alter its counter-productive positioning as a frequency (not a reach) medium.

Using Arbitron's PPM findings, the RAB is ideally suited to educate agency and client media executives about radio's reach capabilities, in the context of scanner studies by IRI and others that show better sales results for high reach plans. As part of the same effort, the RAB might educate planners about radio's ability to drive ad awareness at varying GRP levels. Most planners are aware of such cause and effect relationships for TV, but have not seen anything like that for radio. Some of the old studies, mostly from other countries, which were collected as part of radio's recent RAEL project, might serve as a backdrop for a new U.S.-based study, which hopefully would show positive media weight and ad awareness correlations. The myth this would address is the assumption that radio can't compare with TV in producing awareness for an ad campaign. Is this really so? An objective new study could debunk this myth.

V. MAKING RADIO AD-FRIENDLY

Spot radio continues to shoot itself in the foot by making it difficult to buy 30-second commercials. Except for one major station group, which has promoted the use of shorter breaks and 30-second spots, most outlets continue to price :30s at 80% of the cost of :60s and penalize buyers who use them with excessive “preemptions.” As a result, agencies who are looking to radio as an economical way to add coverage in hard-to-reach demographic segments (i.e. young adults), find that spot radio CPMs for 60-second units are too high compared to alternatives like cable TV.

Another problem is the tedious chore of making spot radio buys. Unlike network radio, which offers relatively simple national transactions, spot radio negotiations must proceed city-by-city, station-by-station, including many submarkets not normally defined as separate entities by TV. Faced with high personpower costs to place spot radio buys in extended lists of markets and handle complicated post-buy servicing, agencies sometimes “farm out” these duties to freelancers or buying services. In some cases they even allow sales reps to orchestrate their buys, in effect, acting as both buyer and seller. Clearly, this flies in the face of client accountability demands.

Since they are responsible for the profits generated on their accounts, ad agency account managers tend to regard spot radio, with its high personpower costs, as an unattractive proposition and often discourage its use. Unless a media planning group has really strong reasons for recommending the use of spot radio, it may not be inclined to press too hard for its inclusion in the face of such pressure.

One way that spot radio could circumvent these problems would be to package so-called “unwired” network-style buys more creatively and aggressively sell them. While most reps/station groups offer unwireds, they tend to do so in response to a buyer’s initiative. But this need not be the case. A hypothetical example might go like this. After studying an advertiser’s media mix and its key target group audience delivery, a rep or station group may see a weakness that radio might effectively address. Say a particular segment, men 18-34, is woefully underdelivered by a brand’s network and spot TV schedule. Documenting this deficiency, the rep’s marketing executives take the lead, approaching the agency *and* the client, with a specific proposal for an unwired radio buy in 100 markets that would deliver 500 men 18-34 GRPs nationally per month, thereby redressing TV’s shortfall. Since the brand uses 30-second commercials for TV, these would form the basis for the radio buy and there would be *no* CPM penalties for using shorter length ad units. In addition, *national* GRP delivery would be *guaranteed* for the unwired deal, and a

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minimum 4-week reach attainment of 70% across all markets would be specified. As for individual market weightings, unless the advertiser indicated otherwise, the goal would be the same number of GRPs to be delivered per city. Best of all, the CPM for the unwired radio buy—thanks to the use of fairly priced :30s (50% cost of :60s), plus flexibility in daypart scheduling and station selection—is half what the advertiser pays for TV.

With the rep orchestrating the station-by-station negotiating chore to bring in the overall GRP, reach and CPMs as promised, and the agency promised a “turnkey” operation regarding post-buy evaluations, proof of performance, etc., this should be an offer that gets some attention. To be sure, the market list and city-by-city GRP weighting goals might be altered, and questions may arise about which dayparts are used, how to handle markets where the rep doesn’t have the strongest stations for that demo, how compensation will be paid in the event of a national GRP or reach shortfall, etc. But at least the proposal *starts* a dialog by making a specific bid, tied to the client’s ongoing marketing situation and TV activity.

The key to radio unwireds is their ability to provide a nationwide audience, just like that offered by TV networks. When a broadcast network, syndication or cable channel buy is made, the seller guarantees national audience delivery and presents the agency with a documented national accounting of performance, not city-by-city details. Everyone knows that there are wide GRP variations from market-to-market; however, this is considered acceptable by most nationally-oriented advertisers. Why shouldn’t radio play by the same rules?

If the advertiser really wants to use spot radio’s geographic flexibility to tailor media weight on a market-by-market basis, this can be built into an unwired network’s proposal by creating high, middle and low GRP market groups, with their own weighting goals, so long as the process doesn’t deteriorate into a city-by-city, station-by-station guarantee imbroglio, which renders most unwireds inoperable and brings the paperwork problem to the forefront. Unless the seller has the flexibility to package a combination of stations to deliver the desired overall effect, counting overdelivery as well as underdelivery, network TV-style radio unwireds are not an attractive proposition. Given the same leeway as any other national media buy, however, radio unwireds can be a very effective campaign enhancement and targeting tool for advertisers.

VI. SELLING RADIO'S EXCLUSIVE STRENGTH

Let's assume, hypothetically, that a major rep, station group, or combination thereof, set up a special marketing unit to sell radio to national advertisers. Since most of the ideas discussed earlier in this report, such as an ongoing clinic on the effectiveness of various types of radio ads, are only at the developmental stage, the problem is how to sell what radio already has. And do it now!

Looking at the available data, it becomes clear that all major media provide reach—if that is the goal—and one can target virtually any segment, including light TV viewers, ad receptives and 18-24s, through well chosen mixes of cable TV, selected broadcast networks, syndicated TV shows, magazines, the Internet, and radio stations. Even where CPMs are concerned, although network radio compares favorably with other media, spot radio's once substantial edge has been eroded by massive rate increases in the late-1990s to early-2000s, lower listening levels recorded by PPMs, and CPM penalties imposed for 30-second placements.

On the positive side, however, radio as it is now configured, has a significant strength, although it is rarely exploited by advertisers: *radio's ability to reach consumers when they are most likely to be receptive to a product's message*.

While the precise timing of their ad messages is of little concern to some advertisers, so long as their consumer targets are reached, many others regard timing as very important, but unattainable using their media of choice; national TV and magazines. Some examples of marketers for whom timing could be very important are:

1. *Diet/weight loss products*: Overweight people often decide to start diets on weekends.
2. *Men's shaving products*: What better time to reach a guy with a tough beard than in the early mornings when his face is raw from another bad shave, especially on weekdays?
3. *Cool beverages*: People really crave a cool drink (iced tea, lemonade, soda) when the temperature is over 85 degrees and they are sweltering.
4. *Hot beverages*: When it's freezing outside, people are most receptive to coffee, tea, soup or hot cereal ads.
5. *Automotive products*: Is there a better time for a muffler company to reach a consumer than when he is in his car and the muffler is failing?
6. *Sleeping aids*: Reach out at 6 or 7am to an unhappy, bleary-eyed consumer who has just risen from a long sleepless night of tossing and turning in bed.
7. *Fast food/Take-out*: Promote breakfast, lunch or dinner menus and specials while consumers are driving at 6-8am or 11am-noon or 6-8pm.

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8. *Movies*: How about reaching moviegoers, especially younger ones, Thursday and Friday evenings, before their big weekly "movie nights," perhaps using soundtracks from the films on radio?

Granted, not every product or service can define a positive timing situation such as those described above, yet there are many more timing-related tie-in possibilities than one may think. This is especially true in the automotive, medical, food, entertainment, travel and shopping categories.

How would the radio sales task force exploit these opportunities? First, if adequately funded, it would document the impact of the timing factor by conducting research showing how ad awareness or recall/buying motivation were affected by it. Even without such documentation, however, the idea should appeal to most advertisers providing they are approached properly.

The positioning of the idea is critical. It should be primarily a marketing-driven pitch. Take our cool drink/hot weather example. Say it's an iced tea brand. Obviously, people are more likely to be thirsty when it is 85-90 degrees outside, but even though this marketer recognizes that fact, there is no way to orchestrate a conventional TV buy to exploit the heat factor effectively. So the iced tea brands' GRPs heavy up throughout the hot weather months. On some days when its commercials are seen, it is indeed hot, but in the main, the temperature is balmy or even comfortably cool, yet still the spots run.

But this would not be the case for a national unwired radio network "timing buy" in all of the iced tea brand's key markets.Suppose on average, there are 20 days per city during the May-September period when the weather is 85+ degrees. These days come in clusters and their timing varies from one area to the other. Still, the radio guys have come up with an unwired proposal that will deliver 35 GRPs—that translates to a 25% reach—per day in each market *only when the local station's own weather report triggers the action by identifying this as a hot weather day*. Sure, a slip up here and there is possible, but 90% of the time or more the iced tea brand's radio ads will air *only* when it is really hot.

Naturally the pitch would include a listing of the proposed markets and relevant daily temperature reports for each city, plus its national hot season GRP and reach projections and, finally, the overall cost to the advertiser, with national CPMs guaranteed. In other words, a specific proposal is made which impels the advertiser to take the idea seriously, even if it isn't acted on initially. Isn't this a far better

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approach than sitting by the phone waiting for someone at the client's ad agency to do all of the work—and selling—and then dumping the business in your lap? Often, the call to the rep never materializes.

Radio's timing edge is, in many cases, an exclusive one. If you are an automotive product brand or a car maker, you can only reach people actually riding in cars via radio. They aren't watching TV. If you are a men's shaving product, you need to reach men just after they have butchered their face with yet another bad shave, not a week later in primetime TV. Radio reaches far more men at 6-8am than TV. Why not exploit this? If you are a diet product marketer, and weekends are, indeed the best time to get across your message, can you really afford TV's high CPM primetime and sports attractions? Of course, you can make low CPM cable buys on Saturdays and Sundays, but single day reach will be limited. Why not add a radio unwired in conjunction with cable and target 50-75% of potential dieters on those days when they are most interested.

Our basic point is this: radio should organize itself to sell what it has, but do so in marketing and media planning terms along the lines described above. Specific offers, positioned as opportunities to enhance the effectiveness of an advertiser's media dollars via turnkey national spot radio buys are a very good way to get attention and start a potentially beneficial dialog.