Rescue Remedy

How radio can help advertisers get through the current crisis

Introduction

The rapidly escalating uncertainty caused by the spread of COVID-19 is already having a negative impact on the UK economy and marketing expenditure.

But while there's very little we can do about the economy, we can take action to alleviate the pressure that economic uncertainty places on advertising budgets.

This document presents four ideas to help advertisers stay ahead of the competition across the next few months and how radio advertising can play an important role in this.

Executive summary

1. Benefit from increased audience availability

Radio listening increases as the medium's role as a trusted friend is used to lift people's spirits as they work from home and keep them in the loop with the latest news

2. Make the case for continued investment

Evidence shows that maintaining ad spend during a slowdown boosts profitability and market share during recovery

3. Re-evaluate the media mix

Adapting the media mix to incorporate more efficient media can bolster overall advertising effects; radio advertising can be turned around quickly to respond to market changes and boosts campaign effectiveness across a range of metrics

4. Keep an eye on the longer term

With greater emphasis on short term activation it is still important for advertisers to consider brand effects; adding radio to the mix boosts every kind of advertising effect, from short term activation to longer term brand equity

1. Benefit from increased audience availability

Beyond affecting businesses, the extraordinary circumstances we are living through are also impacting media audiences. Increases in online listening have already been recorded by radio stations. Here are a few thoughts that suggest why these higher levels of listening are set to continue:

a. People are more available to listen and at times when they may not normally be able to tune in (i.e. at home vs. in the office)

b. Working from home can be an isolating experience – radio makes people feel happier and the effect of switching the radio on is often described as like having a friend in the room

c. Radio can be enjoyed in the background when people are doing work or other chores around the house – which creates an opportunity for relevance targeting

d. Radio news is trusted more – at times of crisis people are likely to tune in to keep abreast of developments

2. Make the case for continued investment.

Evidence shows that maintaining ad spend during a recession boosts profitability and market share during recovery. But because the advertising budget is often the largest discretionary element of a company's expenditure, it is often the first port of call when budget cuts are in the air.

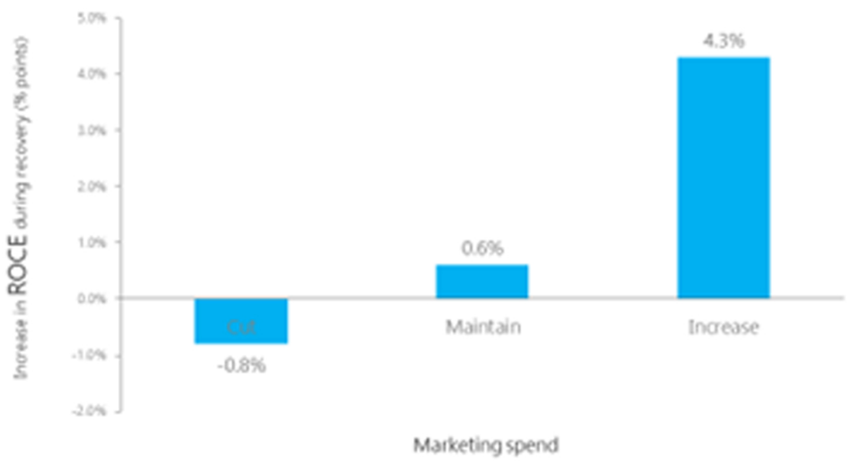
There's risk involved in cutting ad spend, however – brands that stop advertising lose momentum and risk losing sales and market share to the competition.

Over the years, a range of evidence has been collated which makes the case for protecting marketing spend. The most commonly referenced is the PIMS – or Profit Impact of Market Strategy – database.

In "Advertising in a recession" the London Business School analysed data for 1,000 PIMS businesses that had experienced recession and recovery – and divided results between those that cut, maintained, or increased marketing spend during a recession.

The chart below shows the impact of different marketing approaches on Return on Capital Employed during recession and reveals that businesses that maintain or increase marketing spend during recession see their profits increase dramatically faster once recovery starts – unlike the budget cutters, whose profitability falls as their marketing budget is reinstated when recovery begins.

Companies that increase spend during a slowdown increase profits much faster during recovery...



Source: Advertising in a recession/London Business School

Perhaps more importantly for longer term success, businesses which increase marketing spend in a recession gain market share three times as fast as 'cutters' once recovery begins. One important reason for this is that the advertisers who carry on spending when others stop benefit from a much higher share of voice, which is identified in a range of studies as a highly influential factor in helping advertisers build their market share.

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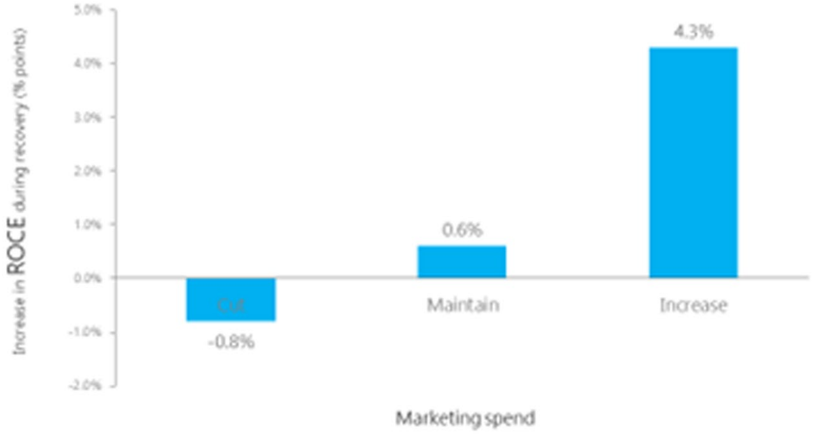


Source: Advertising in a recession/London Business School

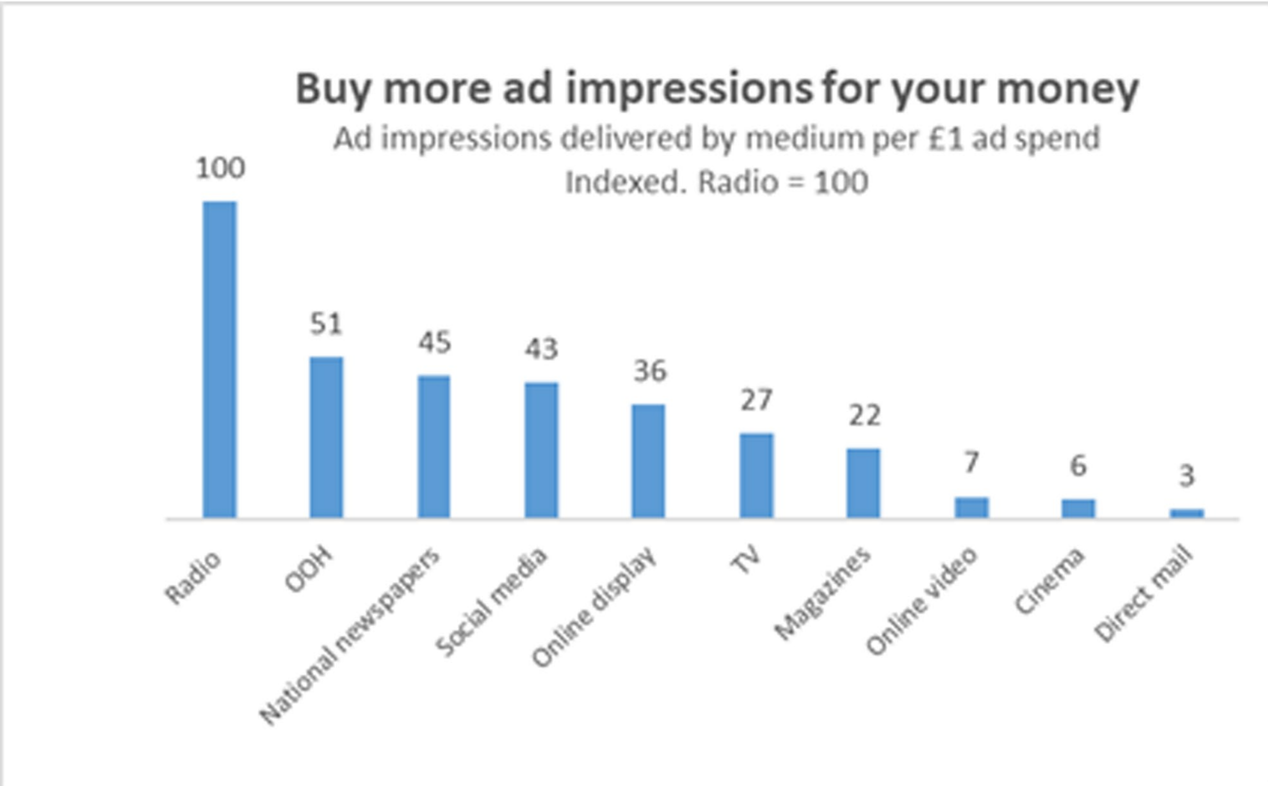
So, based on this analysis, for businesses with a steady supply chain and less affected by immediate cash flow issues, it makes sense to seek budget efficiencies in fixed costs wherever possible rather than take the easier route of slashing advertising spend.

3. Re-evaluate the media mix

If advertisers are seeking to achieve the same results with less investment, re-evaluating the media mix to incorporate more efficient media to bolster overall campaign effectiveness can make a big difference. Radio has an excellent track record here on boosting a range of metrics, including short-term ROI. And, equally importantly, it is highly responsive – advertisers are able to react to short-term events, turn campaigns around, and get on air very quickly.

Firstly, and very simply, **radio offers advertisers the best value-for-money audience delivery.**

As the chart below reveals, for every pound spent on radio an advertiser will be buying at least twice as much audience as they will in any other medium. Or, for example, up to 15 times as much when compared to online video. That's a big head start when an advertiser is looking to make their plan work more efficiently.



Source: Re-evaluating Media/ebiquity

Beyond efficiency of audience delivery, **radio is proven to boost advertising effects when used as part of a wider media mix.**

Research highlights how reallocating a proportion of budget from other media into radio can boost overall campaign effectiveness across a range of metrics including ad awareness, brand consideration and brand browsing online.

A bigger bang for your buck

Radio bolsters the media mix

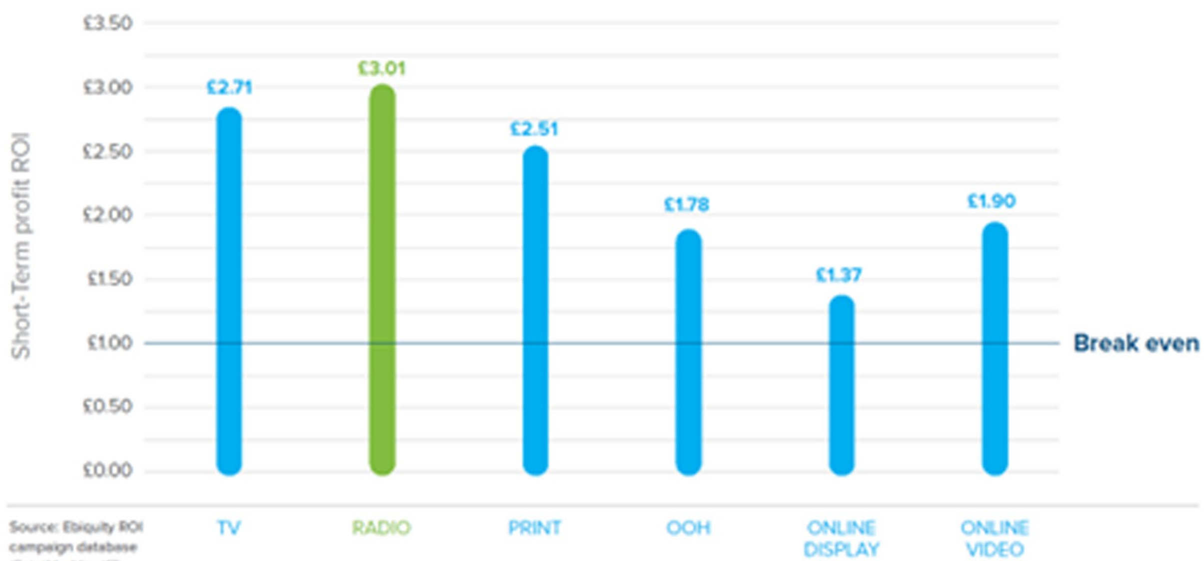
Ad awareness	+55%
Brand consideration	+31%
Brand browsing	+52%

Source: Radiogauge; Radio: the Online Multiplier

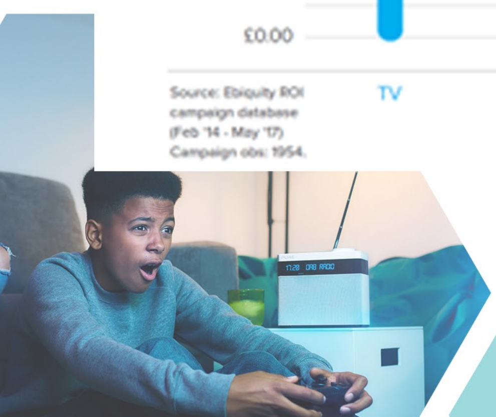
But, more importantly for advertisers marketing in a slowdown, Ebiquity's independent econometric analysis shows that **radio really delivers on the bottom line.**

This is especially true in sectors which have a greater focus on shorter-term results such as retail, where radio delivers the highest profit ROI of any media, paying back over £3 profit for every £1 spent.

Retail: radio delivers highest profit ROI



Source: Ebiquity ROI campaign database (Feb '14 - May '17) Campaign obs: 1954.



This ROI efficiency of radio means that it can also have a powerful effect on overall campaign ROI.
Analysis from Holmes and Cook demonstrates that total campaign ROI grows as radio's share of the budget is increased, peaking at around 20% where returns are 8.5% higher.

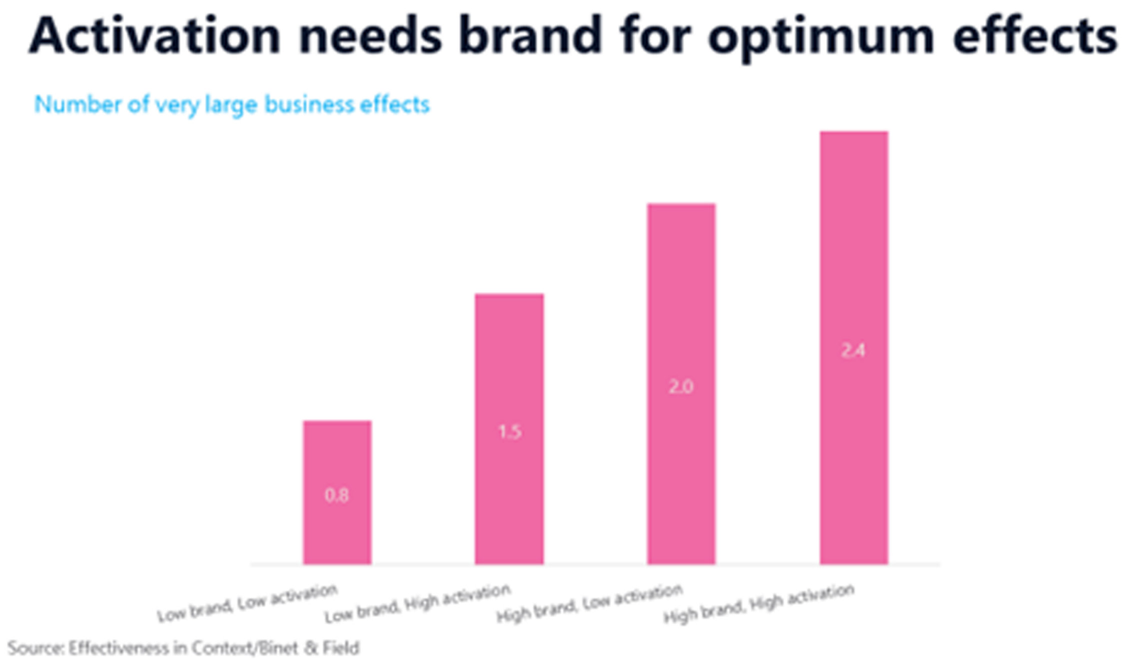
It may not sound like a lot but, based on this data, if you're an advertiser spending around £3m per year that's an extra £1m added to the bottom line purely as a result of moving money from other media to radio.

If you'd like to explore for yourself how shifting budgets between media can help a specific campaign deliver better return on investment, please check out the Campaign ROI Calculator.

4. *Keep an eye on the longer term*

We've seen how shifting money between media can help offset a reduction in budgets and deliver sales targets. But even with greater focus on short term activation it is still important for advertisers to keep one eye on the future.

Analysis of the Institute of Practitioners in Advertising Databank highlights the importance of achieving both brand and activation effects – campaigns that do both achieve 60% more large business effects than those that just focus on activation.



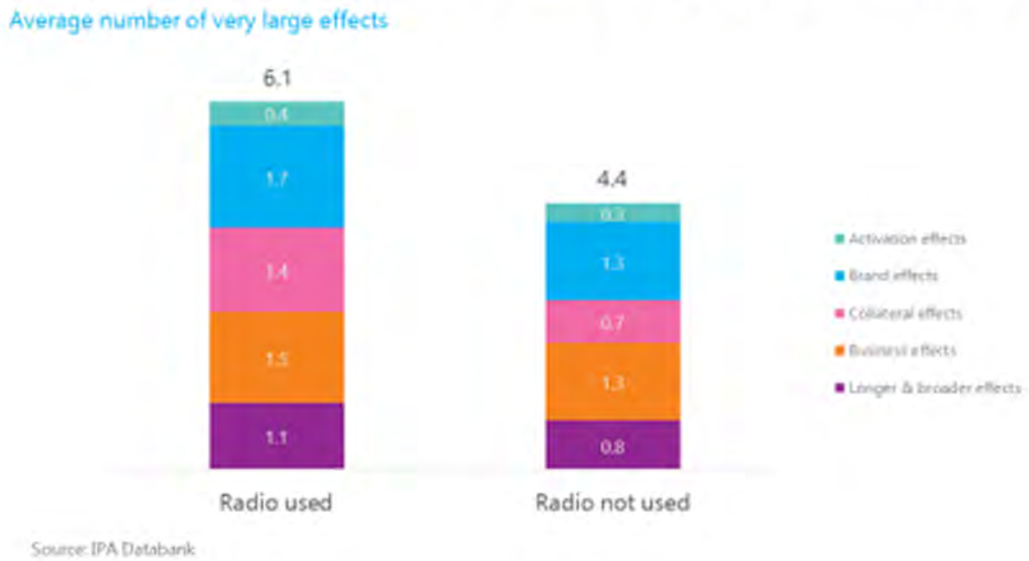
That's because brand communications create enduring memory structures that increase the base level of demand and reduce price sensitivity. Sales activation triggers these memories and converts them efficiently into immediate sales.

But these tasks can pull advertisers in opposite directions: brand building argues for emotional advertising; whereas activation requires rational behavioural prompts.

To unlock these broader effects, advertisers can benefit by developing distinctive brand assets such as voice or music, which can then be deployed consistently over time and across multiple media to underpin campaigns promoting different short-term deals. This isn't just available to big brands – all advertisers can benefit from using this approach.

When advertisers get this balance right, analysis from the IPA Databank shows that adding radio to the mix boosts every kind of advertising effect, from short term activation to longer term brand equity, from immediate sales volume to long term reductions in price sensitivity.

Radio boosts both short and longer term ad effects



A good example of an advertiser playing the short and longer-term game in this way is Plusnet – a telecoms company. Initially at least, Plusnet had competitive prices on its side. But over time its best weapon has been its brand. Building emotional connection through its good honest Yorkshire values helped Plusnet thrive when its products became less competitive.

Between 2011 and 2015, for every sale the campaign delivered in the short term, the campaign has delivered two more over the longer term, through its aggregate brand-building effect. That's why the longer term view matters.

Summing it all up

Times are tough but radio audiences are likely to continue to be higher throughout the current crisis, offering advertisers the perfect opportunity to both drive short term results efficiently and boost profitability and market share in the longer term.