Radio's Biggest Local Spenders Speak Up!

salesinsights

ARBITRON

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Overview

Welcome to Arbitron's and Sales Insights'[1] Local Radio Advertiser Perceptual Study: *Radio's Biggest Local Spenders Speak Up***.** This is a sequel to the Arbitron/Edison/RAB 1997 Newspaper Advertiser Perceptual Study, which focused on the perceptions of "heavy users" of newspaper advertising. This study addresses the perceptions of *radio's* biggest local spenders. It provides valuable insight into how radio is perceived by its biggest local customers.

Contents of the Study

- Media selection criteria (how local advertisers choose specific media)
- Comparison of local media in satisfying the criteria (how radio compares to local cable, television, newspaper and the Internet in these selection criteria)
- Media momentum ("How we do business with local advertisers")
- Sales representation/sales attributes (how radio salespeople measure up to sales representatives of other media)
- Radio station selection criteria (which criteria advertisers use when choosing specific radio stations after the decision to buy radio has been made)
- What advertisers think of "cluster selling"

Significant Highlights

- Media Selection — Radio leads in the criterion advertisers consider to be most important for selecting a medium: the ability to target a specific consumer.

- Qualitative information is more influential to advertisers than promotions in both *media selection* and individual *station selection*.

- Advertisers said local cable and the Internet are improving the most.

- Newspaper gets highest scores for "getting worse" among all media; radio and TV are seen as "staying the same."

- Radio lags other media with the crucial images of "most professional" and "well-trained" sales staffs.

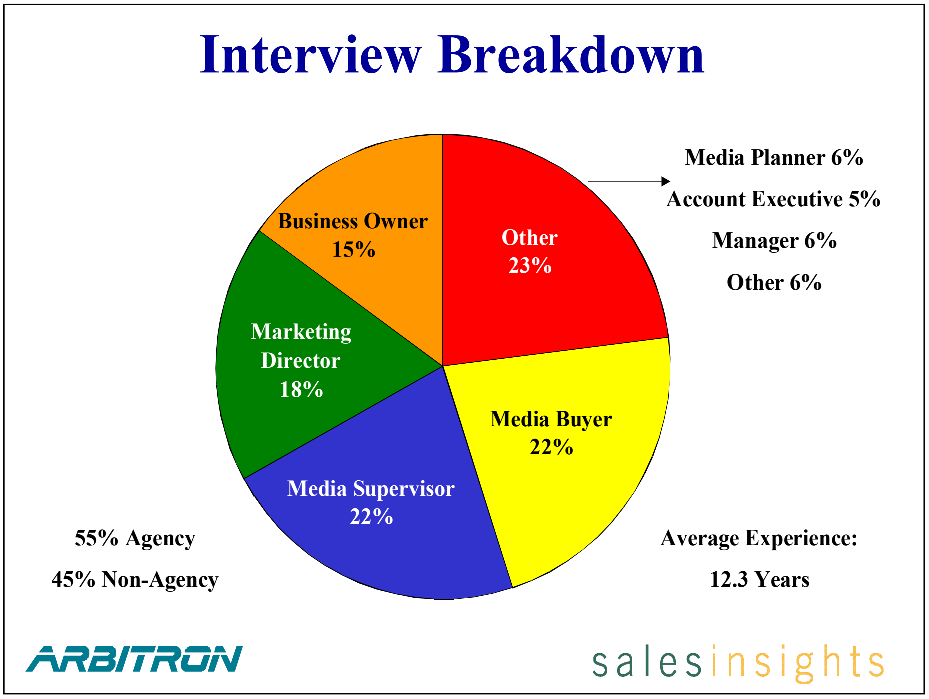
- Station Selection — Advertisers said "cost efficiency" and "rank" are the two leading factors influencing which radio stations to buy.

- Radio's biggest spenders say cluster selling makes buying more difficult.

[1] Sales Insights specializes in client-focused research and sales strategies for radio stations.

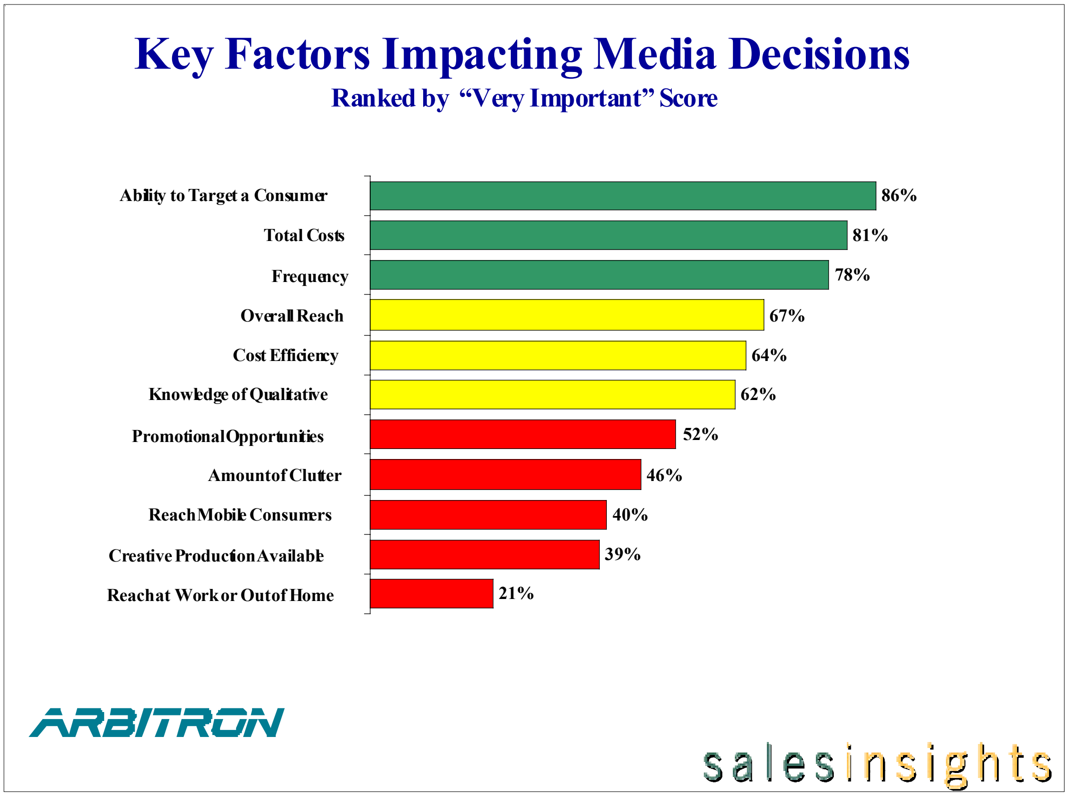
How the Study Was Conducted

Arbitron and Sales Insights interviewed 131 local "heavy radio users" for this survey. Advertiser names were given to us by 55 stations in 13 different markets. First, Arbitron sent letters to sales managers at the top 15 stations in each market. The letter informed each sales manager of the purpose of this study and asked him/her to supply us a list of each station's "top 10 local advertisers." A "fax-back form" was used to send us the names of these advertisers. Once the advertisers/agencies were identified, Arbitron's Advertiser/Agency Services division sent each of them a "prealert" letter informing them that they would get a phone call from Sales Insights to interview them about their media buying perceptions. The breakout by job title of respondent appears below:



Key Findings — Media Selection Criteria

Advertisers were asked to rate the importance of various criteria in selecting specific local media. The "ability to target a specific consumer" was the most important criterion to the total sample of advertisers surveyed. Eighty-six percent (86%) say that it was most important, with "total cost to purchase an effective schedule" (81%), "frequency" (78%), "total reach" (67%), "cost efficiency" (64%) and "knowledge of qualitative" (62%) rounding out the top six. Of lesser importance were "promotions," "commercial clutter," "reaching consumers in their cars or on the move," "professional and creative production," and "reaching consumers at work or out of the home."



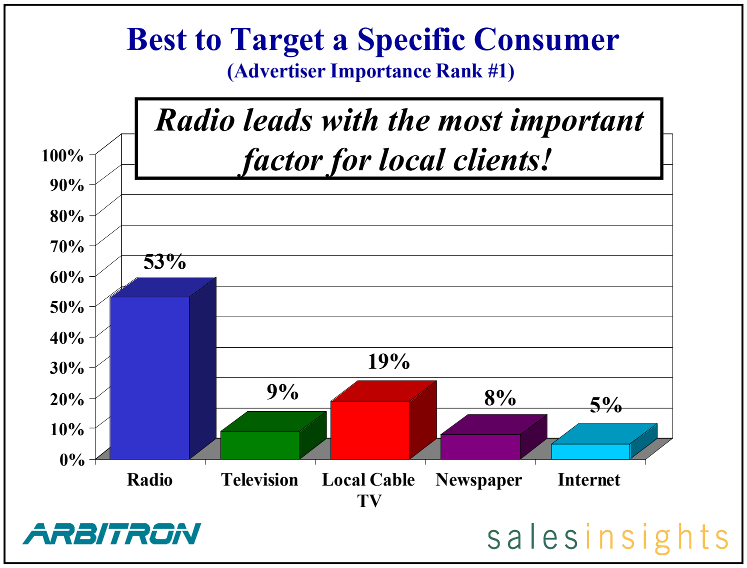
By examining the responses of agency and non-agency clients separately, the rank of criteria is somewhat different. Direct clients place less importance on "cost efficiency" (CPP and CPM) and more importance on "total cost." They also value "targeting" in media selection.

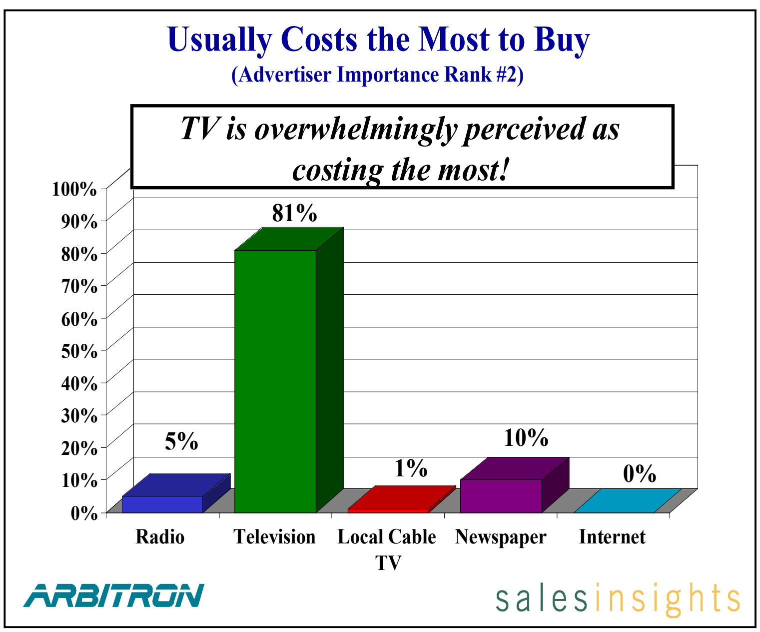
Importance of Attributes on Media Buying Decisions
Percent "Very Important"

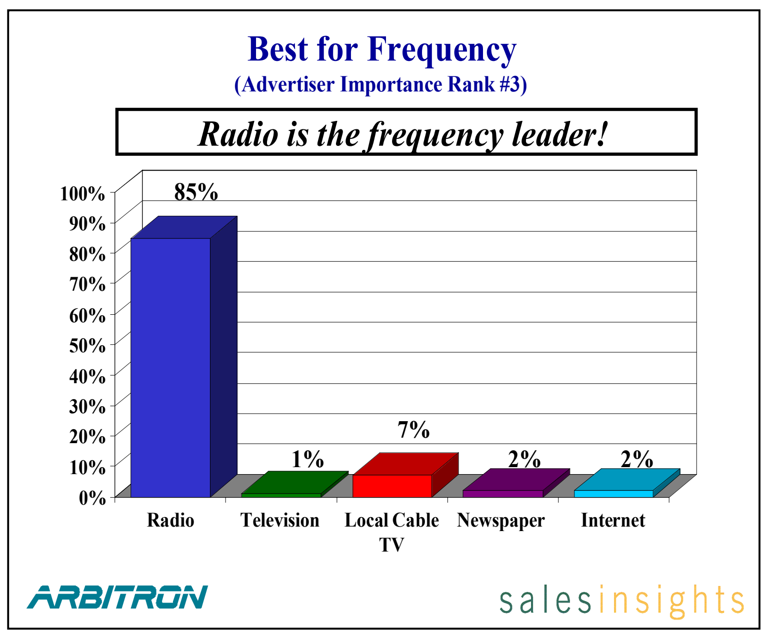
	Total	Agency	Direct
Your ability to target a specific consumer	86	89	81
The total costs to purchase an effective advertising schedule	81	78	85
The frequency, or number of times you can reach your target with an advertising campaign	78	79	76
The total number of consumers you can reach	67	69	64
How the cost efficiency for the media you are considering compares to other media	64	71	56
What you know about the qualitative characteristics of the consumer you are reaching	62	63	61
Whether promotional opportunities or tie-ins are included as part of the media buy	52	51	53
The amount of commercial clutter	46	44	48
Whether you can reach target consumers in their cars or on the move	40	40	39
The type of professional and creative production available to you or your client	39	35	44
Whether you reach your target consumer at work or out of the home	21	22	20

Key Findings — Comparison of Local Media in Satisfying the Selection Criteria

1. **Radio performs well with advertisers' "Top 3" media selection criteria!** Radio is clearly the leading medium in the minds of advertisers when it comes to targeting, the most important media selection, with 53% of the top-of-mind recall!

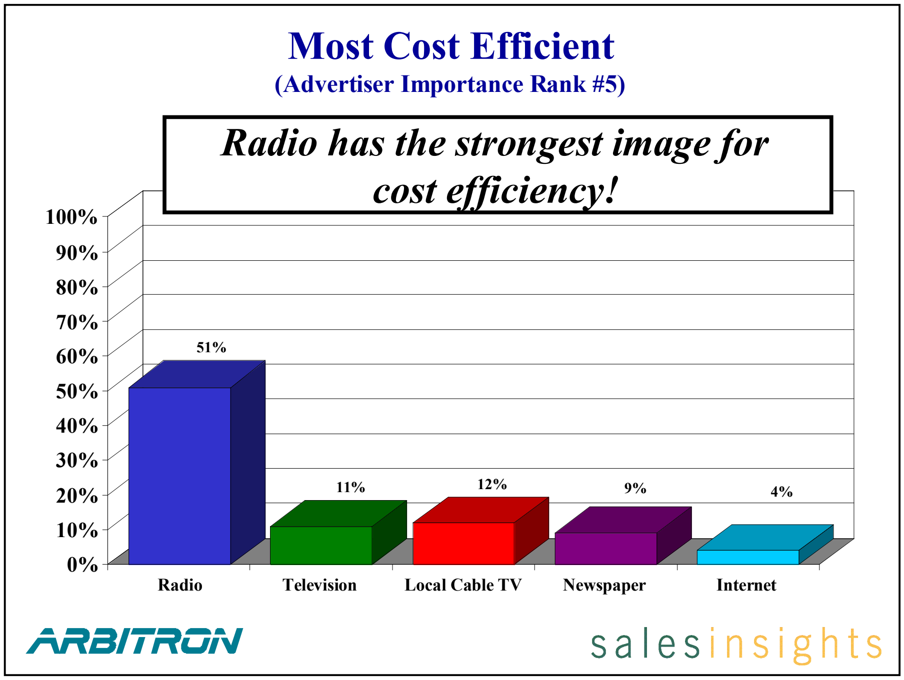




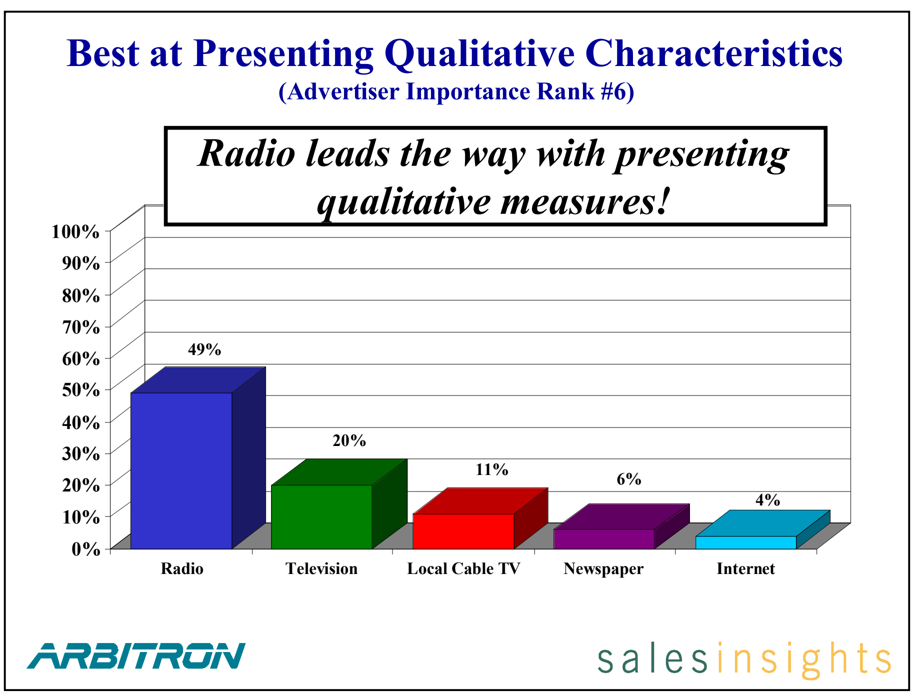


2. **Television is the dominant reach medium.** "Reach" is not a strong perception for radio; TV owns the dominant image in this category (75%). Since radio has always been perceived as a "targeting" medium, even in today's consolidated era, advertisers continue to view TV as the "reach" medium.

3. **Radio is dominant in cost efficiency.** Radio is clearly perceived as being the most cost efficient of all local media (51%), with the next closest medium being cable (12%). Could radio be "too" cost efficient? There is a large "gap" between radio and local cable — no other medium is perceived to be close to radio in cost efficiency.



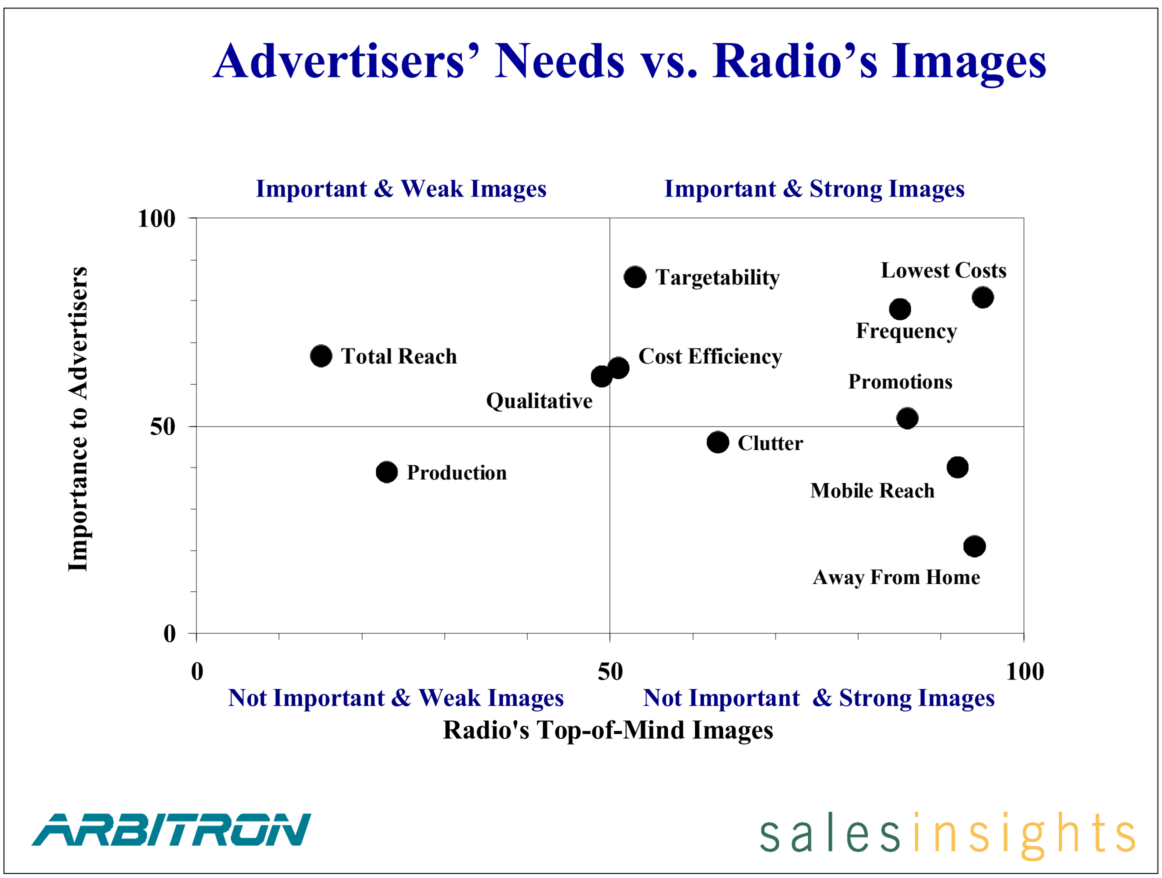
4. **Radio is the best at presenting the qualitative characteristics of its audience.** Radio is the leader at presenting qualitative information about its audience (49%). The next best medium is TV, with only 20% of the vote. Radio should give itself a pat on the back for doing a good job of selling qualitatively, which has contributed to its perception as the best targeting medium.



5. **Radio is perceived as being the "most cluttered" medium.** As in the 1997 Newspaper Perceptual Study, radio is again perceived as being the "most cluttered" medium by 63% of advertisers. Fortunately, clutter is not a key criterion among advertisers. However, this perception is less than flattering.

6. **Radio dominates in images that are of lesser importance to advertisers.** *In fact, radio's images for these lesser buying criteria are much stronger than we would like to see, because they overshadow radio's strong images in the more important criteria.* For instance, radio is perceived as being the "best promotional medium" by 85% of advertisers, and is perceived as being the best medium to "reach consumers at work or out of the home" by over 90% of respondents. Unfortunately, "promotions" ranks only seventh on the list of media selection criteria, and "reaching mobile consumers" ranks ninth. "Reaching consumers at work or out of the home" ranks as the least important criterion (#11).

   To see how radio's images relate to the advertisers' most important criteria, look at the quadrant map below. Images in the top right quadrant are important to the advertiser and are strengths that should be continually reinforced. Images in the top left quadrant are important to the advertiser but are weak images for radio. These images should be evaluated to determine if they can be strengthened. The bottom right quadrant's images are strengths for radio but are not important to the advertiser. They are already strong and don't need to be promoted at the expense of other, more important images to the advertiser. Finally, images in the bottom left are not important and are weak for radio.



7. **Top images for each medium.** Below is an analysis of the characteristics that radio buyers associate with radio, TV, cable and newspaper. Note: This study is based on radio buyers. Therefore, it is not surprising that radio has stronger images with this group of buyers than the other media.

Radio's Top Images **(Images associated with radio by more than 10% of radio buyers)**	%
Reaches consumers at work or out of the home	94
Reaches consumers on the go	92
Offers the best promotional opportunities	86
Gives me the ability to reach my target multiple times (frequency)	85
Has the most cluttered commercial environment	63
Is the best medium for targetability	53
Is the most cost-efficient medium	51
Does the best job of representing the qualitative characteristics of the consumers it reaches	49
Provides the best creative production	23
Has the best commercial environment	16
Has the largest overall reach	15

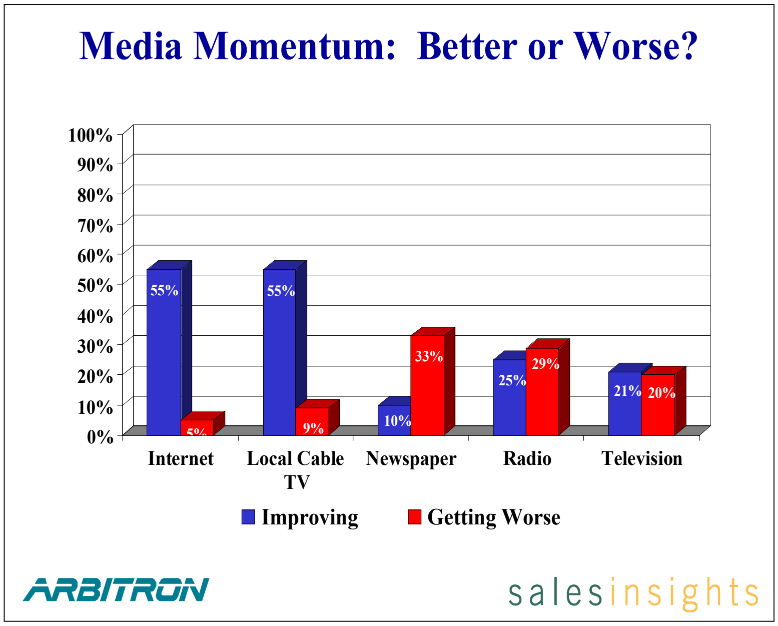
TV's Top Images **(Images associated with TV by more than 10% of radio buyers)**	%
Usually costs the most to buy	81
Has the largest overall reach	75
Has the best commercial environment	61
Provides the best creative production	56
Does the best job of representing the qualitative characteristics of the consumers it reaches	20
Has the most cluttered commercial environment	13
Is the most cost-efficient medium	11

Cable TV's Top Images **(Images associated with cable by more than 10% of radio buyers)**	%
Is the best medium for targetability	19
Is the most cost-efficient medium	12
Does the best job of representing the qualitative characteristics of the consumers it reaches	11

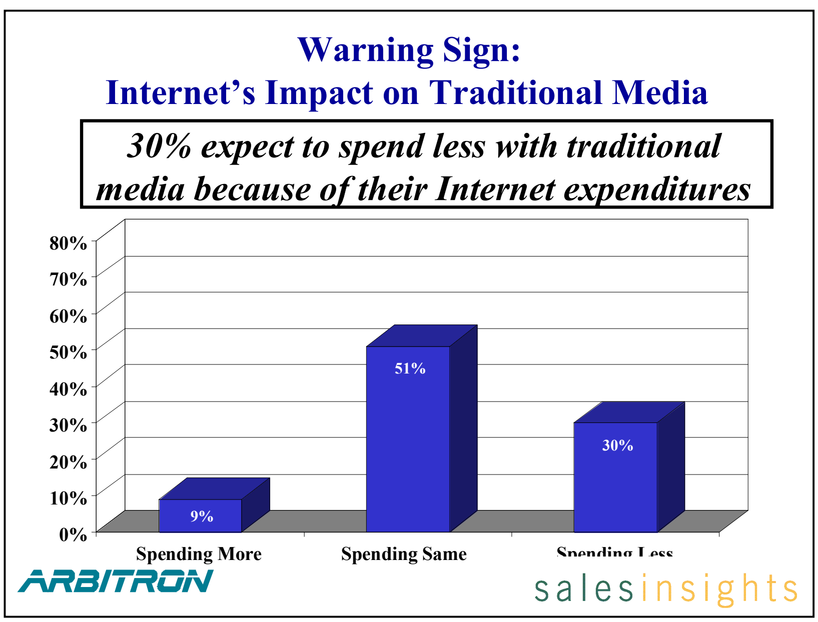
Newspaper's Top Images **(Images associated with newspaper by more than 10% of radio buyers)**	%
Has the most cluttered commercial environment	15
Usually costs the most to buy	10

Key Findings — Media Momentum

1. **Local cable and Internet "improving the most."** Warning signs for radio appear when advertisers were asked, "In terms of the way they do business with you, which media are improving, staying the same, or getting worse?" Local cable and the Internet are seen as the two media improving the most, with 55% of advertisers saying that each is improving. Only 25% say that radio is improving, while 29% say that radio is getting worse. Clearly, momentum is on the side of local cable and the Internet.

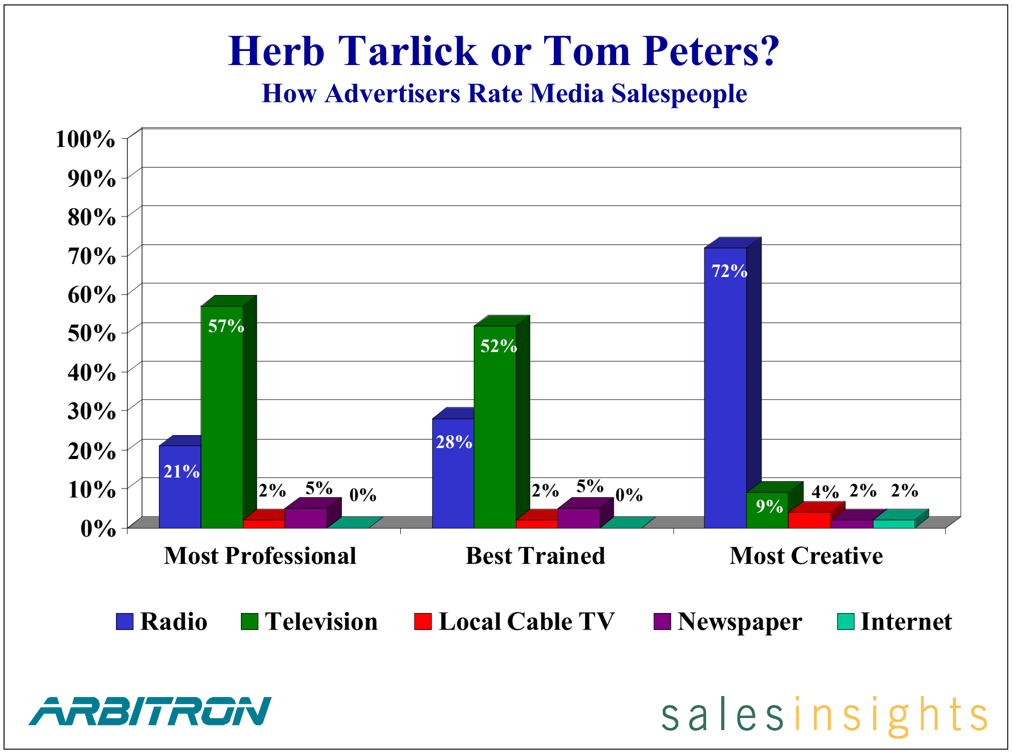


2. **One-third are already spending ad dollars on the Internet.** Thirty-three percent (33%) of those surveyed say that they have spent advertising dollars on the Internet in the past year. Thirty percent (30%) of those who did spend money on the Internet said that they expect to spend less money with "traditional media" because of their Internet expenditures.



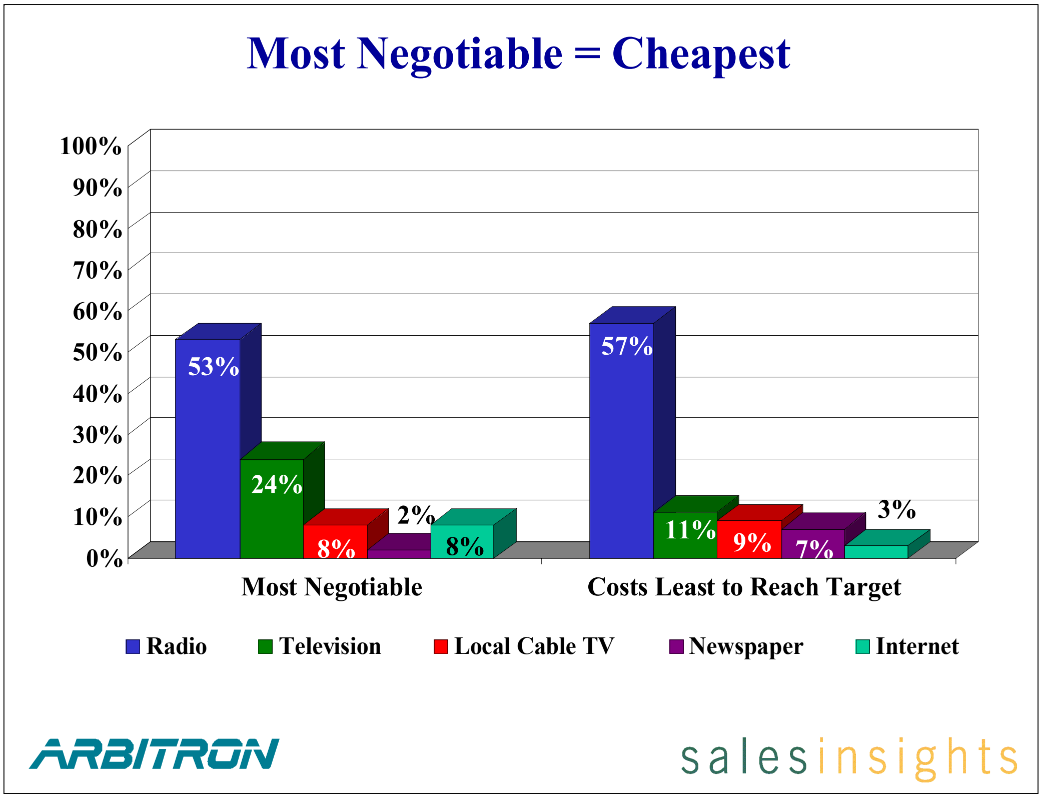
Key Findings — Sales Representation/Sales Attributes

1. **Radio trails television again in key sales representation attributes.** The 1997 Newspaper Perceptual Study found that television was perceived as having the "best-quality" salespeople. In this study we asked which medium had the "most professional" and the "best-trained" salespeople; television won in both of those areas. Television salespeople are viewed by local radio advertisers as being more professional by a margin of 57% to radio's 21% (almost a 3:1 margin). They are also viewed as the best trained by a margin of 52% versus 28% for radio.



2. **Radio salespeople are seen as "most creative."** Radio is perceived as having the "most creative" salespeople by a margin of 72% vs. television's 9%. Since TV has the perception of being the "most creative" medium, it's likely that the "creative" attribute assigned to radio salespeople has little to do with developing copy and producing radio spots. It is more likely to be related to negotiating, packaging, developing promotions and finding creative ways to claim being "number one."

3. **Radio owns the "most negotiable" and "cheapest" perceptions.** Radio is perceived as being the most negotiable medium by 53% of all respondents (newspaper places second with 24%). Not surprisingly, radio is rated as the cheapest as well ("costs the least to reach target") by a whopping margin of 57% (television places a distant second with 11%).



4. **Radio's biggest spenders said that radio is the "easiest to work with."** With radio being viewed as most negotiable and cheapest, it's not surprising that 58% of advertisers see radio as the easiest local medium with which to work.

Key Findings — Radio Station Selection Criteria

1. **Cost efficiency and rank are the top criteria for selecting stations.** Advertisers rated 21 different attributes that were “very influential,” “somewhat influential” or “not influential at all” when evaluating which radio stations to buy. Since radio is viewed as “most cost efficient” and “most negotiable,” it’s not surprising that cost efficiency ranks as the number one criterion (82%), followed by “rank position” (77%). Placing third was “having a salesperson who understands my needs,” with 76%. “Cost” placed number four (72%), followed by “quality of overall customer service” (63%).

10 Most Important Characteristics Influencing Buying Decisions Among All Respondents
Percent Saying Characteristic Is “Very Influential”

How cost efficient the station is compared to an equally rated competitor	82
Where the station ranks in my target demo	77
Salesperson really understands my advertising needs	76
How much it costs to buy an advertising schedule	72
The quality of overall customer service	63
I am assigned just one rep for each station that I am interested in buying	62
The station’s format	61
What I know about the qualitative characteristics of the station’s audience	59
Promotional opportunities the station offers	57
Whether the station has professional, well-trained salespeople	54

2. **Direct advertisers’ station selection criteria are influenced more by salespersons’ expertise.** Direct advertisers rated “a salesperson who understands my needs” as *the most influential attribute* when selecting a specific radio station (81%) — trumping both cost efficiency and rank position (tied for number two at 76%). Direct advertisers also put a higher importance than agency-affiliated buyers on having a professional, well-trained salesperson call on them. They also placed greater importance on a station’s qualitative audience. Direct advertisers, while concerned with cost and cost efficiency, do not see “coming in under the CPP” as being as important as agency buyers do.

10 Most Important Characteristics Influencing Buying Decisions Among Direct Advertisers
Percent Saying Characteristic Is “Very Influential”

Salesperson really understands my advertising needs	81
How cost efficient the station is compared to an equally rated competitor	76
Where the station ranks in my target demo	76
How much it costs to buy an advertising schedule	73
I am assigned just one rep for each station I am interested in buying	66
The station’s format	66
The quality of overall customer service	64
What I know about the qualitative characteristics of the station’s audience	61
Whether the station has professional, well-trained salespeople	61
Promotional opportunities the station offers	56

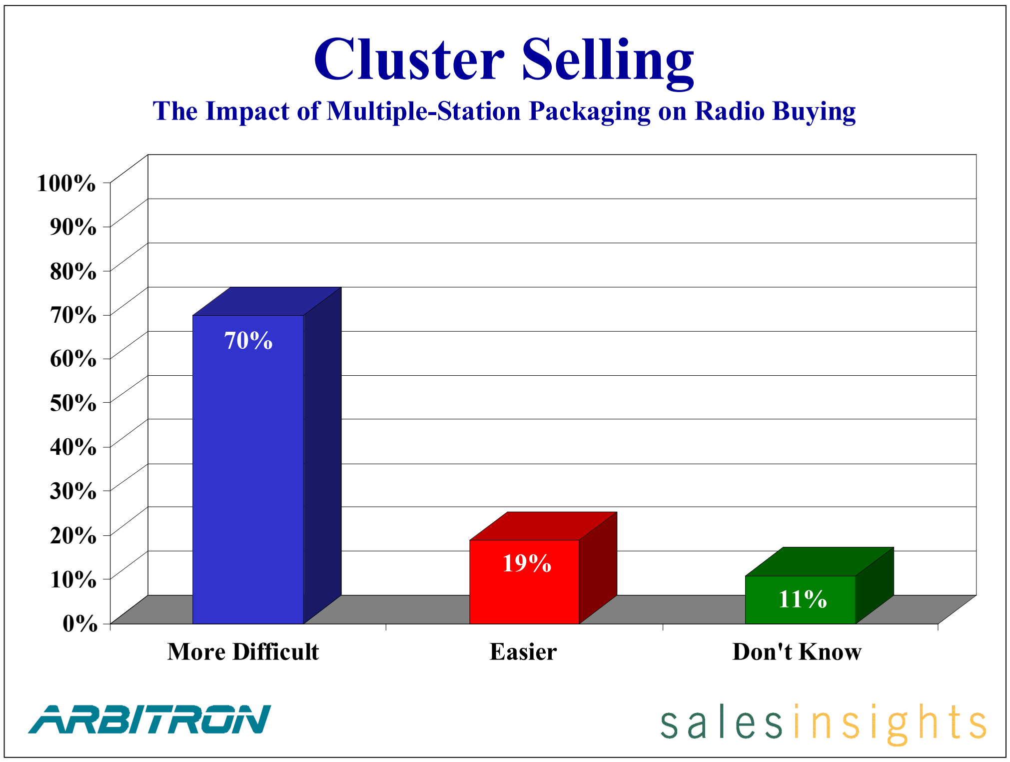
3. **Advertisers don't care about fewer units, format exclusivity or letters of recommendation.** The least influential characteristics (bottom five of 21 total) can be quite revealing. The least influential item to all advertisers is "whether the station provides letters of recommendation from other advertisers" (2%), with "format exclusivity" being important to only 20% of advertisers. "Format longevity" is only important to 30%, and "running fewer units" is a significant factor to only 33% of the sample. A station that provides "research or documentation that proves advertising results" is important to only 35% of total advertisers; however, direct advertisers are influenced by this criterion by a wider margin than are agency-affiliated buyers (48% direct vs. 25% agency).

Least Important Characteristics Influencing Buying Decisions
Bottom Five "Very Influential" Among the Total Sample

	Total	Agency	Direct
Station provides research or documentation that proves advertising results	35	25	48
Whether the station runs fewer commercial units than its competitors	33	35	31
How long the station has been in its format	30	36	22
Whether the station's format is exclusive to the market	20	24	15
Whether the station provides letters of recommendation from other advertisers	2	0	3

Key Findings — Cluster Selling

1. **Advertisers think cluster selling makes buying radio more difficult.** Advertisers were asked the following question: "Some radio companies like to package multiple stations in their presentations. Does this concept make radio buying easier or more difficult for you?" A clear majority, 70%, said that cluster selling made buying more difficult, with 19% saying it made buying easier (11% replied "don't know"). There was no major discrepancy in the responses to this question between agency-affiliated buyers and direct clients.



Recommendations

1. **Radio should invest more in sales training.** Radio's image for having the "most professional" and "best-trained" salespeople lags far behind television among radio's biggest spenders. The radio industry cannot achieve the share of advertising spending it expects without investing more in sales training. These customers also say that "having a salesperson who understands my needs" is very important (especially direct advertisers). Therefore, radio sales training should be focused on identifying the needs of the customer.

2. **There is an opportunity to improve spot rates, because radio is viewed as the least expensive and most cost-efficient medium.** Radio is viewed as cheap by the majority of local advertisers. Being cost efficient is not bad in itself. However, there is a wide gap between radio and other media for the images of "low cost" and "cost efficiency." There is headroom to improve spot rates, and radio should invest in acquiring better negotiation skills and make better use of inventory management techniques in the future. Also, promotions should not be used in the negotiation process to "steal" business from other stations, because promotions are not highly valued by advertisers; and this practice serves to enhance radio's image for being the "most negotiable." Finally, the advertisers in this study considered radio to be the most cluttered medium. By reducing spot loads radio could address the clutter image while simultaneously helping to raise unit rates through better management of commercial inventory.

3. **The industry should focus more on targeting and frequency as the key benefits of radio.** While radio owns very strong images of being the "promotional medium," "reaching mobile consumers" and reaching listeners "at work and out of the home," these criteria are of much less importance to today's local advertisers. Targetability and frequency are the strongest images in the minds of radio's biggest spenders. Radio "owns" several other images, but it should concentrate on the strengths that are most important from the customer's perspective: targeting and frequency.

4. **Continue selling with qualitative data; it's working!** Qualitative information is important for media selection, and it is very influential in helping radio's biggest spenders select individual stations. Radio is doing a better job than other media in representing itself qualitatively, and it appears to be paying off.

5. **Reduce radio's dependency on promotions; they are not as important as *we* think they are to advertisers.** Many other factors rank well above "promotions" in both media selection and individual station selection. Consistent sales strategies, positioning with qualitative information, better-trained and more-professional sales representation and customer service should provide more profitable business than continued reliance on tactical promotions to secure business.

6. **Stations should stop giving away their Web sites as "value added" and develop a comprehensive plan to generate revenues from their Internet sites.** Thirty-three percent (33%) of all local advertisers surveyed are already spending money on Internet advertising. They perceive the Internet to be a valuable advertising medium — so valuable that they are spending ad dollars on the Web today. Therefore, stations should examine how to sell advertising on their Web sites. Ideas on how to accomplish this are detailed in numerous Arbitron Internet studies conducted over the past two years.

7. **Carefully examine cluster selling.** Cluster selling presents some unique challenges to the industry. Most advertisers say cluster selling makes radio harder to buy. Also, forcing a cluster sale through creative packaging may be enhancing radio's "most negotiable" image. Finally, forced cluster sales or station packaging may dilute radio's strong targetability image by forcing stations into a schedule that may not meet the advertisers' needs.

8. **Radio should use its marketing prowess with the local advertising community.** One of the recommendations of the 1997 Arbitron/Edison/RAB Newspaper Advertiser Perceptual Study was that radio should invest 10% of its audience research dollars in marketing to advertisers. The radio industry invests millions of dollars yearly in measuring the preferences of listeners and marketing to them. Very few stations, however, use the same marketing expertise in marketing to their local advertising communities.

9. **Keep an eye out for local cable.** Better technology and local interconnects are definitely improving cable in the minds of local advertisers. Cable's low cost and its strong image for targetability make it a viable competitor for local dollars. Make sure your sales staff knows the system areas of local cable companies, the number of cable subscribers and how they sell in order to defend your station against possible encroachment.