# **Radio:** An advertiser's friend in a cost-of-living crisis

RADIOCENTRE

# Introduction

As the Prime Minister who led Britain into and throughout the second world war, Winston Churchill was renowned for using radio to make stirring speeches to the nation to keep spirits high when times were tough. One of his most famous aphorisms (and our personal favourite) was something like "When you're going through hell, keep on going!". Now we're aware (and agree) that this feels like a ridiculously over-dramatic parallel to draw for a period of (what is predicted to be) relatively shallow economic slowdown. However, based on all the research that has been conducted over the years (some of which is featured in this report), it feels like a good motto for brands to adopt when times get tough. There is a further bank of research that highlights the valuable role that radio advertising can play in sustaining businesses through challenging times.

Radiocentre's recent Generation Audio study revealed how commercial audio listening continues to grow, partly due to its ability to meet seven distinct need-states for listeners. Among the different audio services, Live Linear Radio listening is uniquely driven by a need for social connection, lifting people's mood and keeping them company – especially when isolated at/working from home.

This report references relevant research to highlight how, ***in addition to being the listener's friend, commercial radio can also be a good friend to advertisers seeking to support their business during challenging times.***

The report is designed to allow the reader to get the general flow of the case for radio by reading the section headings and sub-headings alone, with reference to the corresponding charts. However, full explanations of each evidence point have been included for those readers interested in the detail behind the headlines.

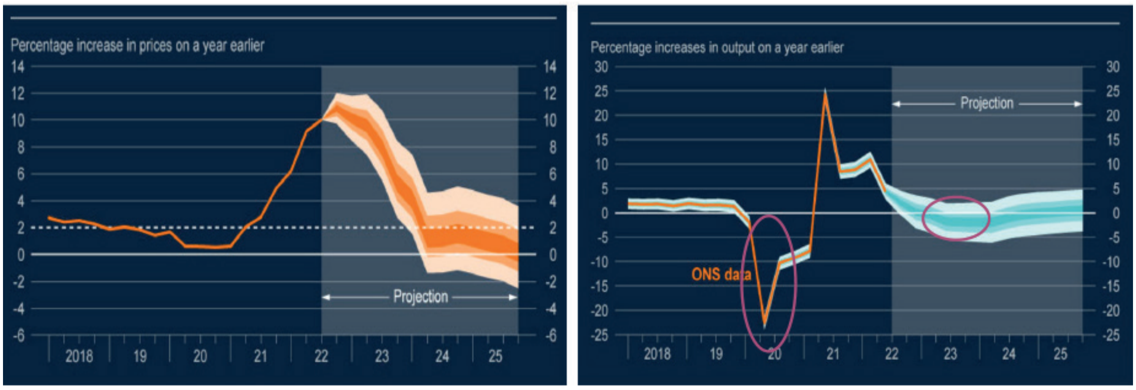
# Contents

# 1. The UK economic context

A good place to start is by considering the current UK economic context.

There's been a lot of talk about how rampant inflation is driving a cost-of-living crisis and how this will have a knock-on effect on the economy in the coming year. The latest Bank of England forecasts confirm this but also reveal that, while we're in for a bumpy ride over the next year or so, things aren't quite as apocalyptic as some commentators might have us believe.

**The hangover from high inflation in 2022 is expected to impact 2023 GDP growth**




**Note the gentle decline in 2023 vs. the 'shock' of Covid in 2020**

Source: Bank of England Monetary Report November 2022

It's true that inflation has been exceptionally high by historical standards (compared to the last 30 years at least) but this is expected to decline rapidly back towards the norm of the last decade in the next 12 months or so (see chart on the left above). However, the expected hangover effects from high inflation in 2022 (e.g. an increase in unemployment and reduced household spending) are predicted to lead to a slight contraction of the economy across 2023 and into 2024 (see chart showing GDP forecasts on the right).

But it's important to put this into perspective – just look at the forecast GDP decline for 2023 and this compare with what happened in 2020. So, while next year is likely to be a bit of a bumpy ride, we are nowhere near facing the economic shock that we had to cope with during the initial throes of the Covid pandemic.

Accepting there's very little we can do about the wider economy, we can take action to alleviate the pressure that economic uncertainty can place on advertising budgets. **This report features strategies to help advertisers keep their businesses ticking over and get ahead of the competition when times get tough** – and highlights the important role that radio advertising can play within this.

# 2. Make the case for continued investment

The first strategy is to continue investing in marketing when times are tough.

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.

But there's risk involved in cutting ad spend – as revealed in this IPA ad that appeared in the FT in autumn 2022– a straightforward and succinct encapsulation of how reacting purely to short-term pressures can have significant longer-term implications.

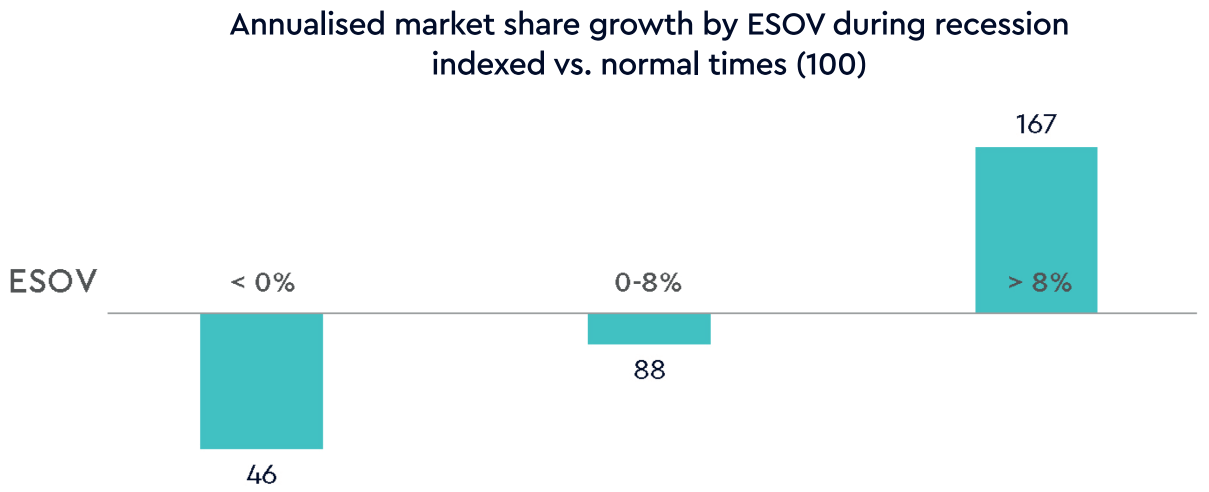

Now on the surface this is all very logical but, when organisations are looking to cut budgets to bolster short-term profitability, how can you make a persuasive case for protecting marketing spend? Over the years, a large range of evidence has been collated which supports protecting marketing investment during a recession.

Back at the beginning of the Covid-19 pandemic in 2020, Marketing Week columnist Mark Ritson went on record stating that recessions are as much an opportunity as a threat – and how he believes that the best marketers increase their budgets when times are tough. His argument was that recessions create unique conditions that allow smart marketers to disrupt category norms and drive brand growth faster than during usual times.

One reason for this is that many brands reduce advertising spend when times are tough, opening the door for competitors to grow market share at their expense. This is because the key behind market growth AT ANY TIME is something called Excess Share of Voice – achieved by spending proportionately more on advertising media than your share of market (the opposite is also true – if you spend proportionately less than your share of market, your market share declines).

IPA analysis demonstrates that if a brand spends consistently ahead of their market position, then over time their market share grows to match their share of spend. And when your competitors are spending less, it's much easier to boost your excess share of voice.

## 2.1 Market share responds more strongly to Share-of-Voice during recession (vs. normal times)




Source: Peter Field/IPA Databank (Base: cases during 2008/09 recession vs. cases 2 years either side)

To reinforce this perspective, analysis of the IPA Databank by Peter Field reveals how excess share of voice effects are multiplied in a recession. This is brought to life in this chart which compares market share growth at different Excess Share Of Voice (or ESOV) levels during the 08/09 recession compared to the two years either side.

The column on the left demonstrates how brands whose Excess Share of Voice is less than zero, lose market share 46% more quickly during recession than under normal market conditions. More positively, the column on the right shows how brands that achieved excess share of voice of over 8% on average experienced market share growth 67% greater than they would have done during normal times. That's why recessions favour the brave – and offer such great opportunities for growing market share.

## 2.2 Campaigns that use radio grow market share 4x faster than those that don't

Annualised ESOV efficiency


Source: Les Binet/IPA Databank

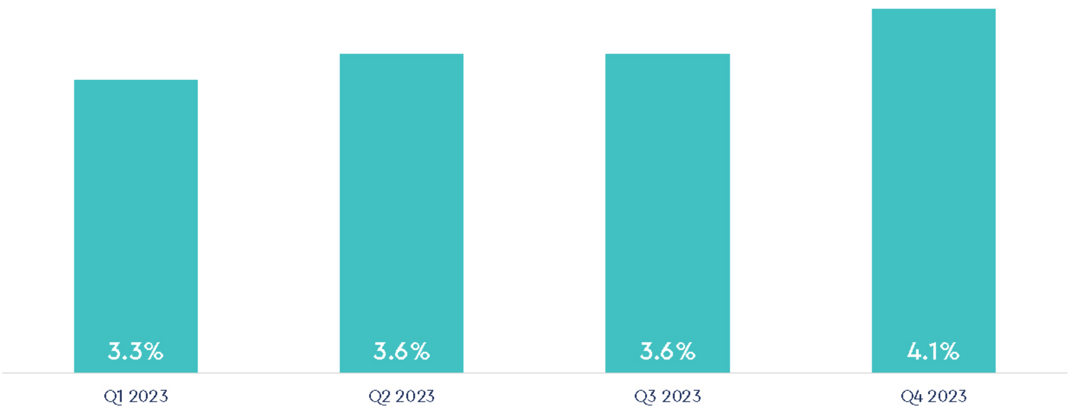
And there's further data from the IPA which highlights the role that radio can play in boosting market share growth. This chart shows the efficiency of campaigns that feature radio in converting excess share of voice into annual market share growth, compared to campaigns that don't use the medium.

As an illustration of what this means, a 10% excess share of voice on a campaign that includes radio converts into 0.8 percentage points of annual market share growth, compared to only 0.2 percentage points for campaigns that don't feature radio. Summarised more succinctly, this means if you're using radio as part of your media mix you'll grow market share four times faster than if you're not.

## 2.3 Ad spend in 2023 is forecast to remain resilient

Thinking beyond the normal excess share of voice benefits that can be accrued, there's another reason why advertisers should avoid cutting spend in this slowdown.

### Year on Year Growth % – Total Display Advertising Revenue




Source: AA forecasts January 2023

According to the latest forecasts from the AA, the UK advertising market is forecast to remain in growth in 2023 (albeit at a slower rate than the last couple of years) meaning that the stakes get even higher for those brands reducing or cancelling their advertising spend.

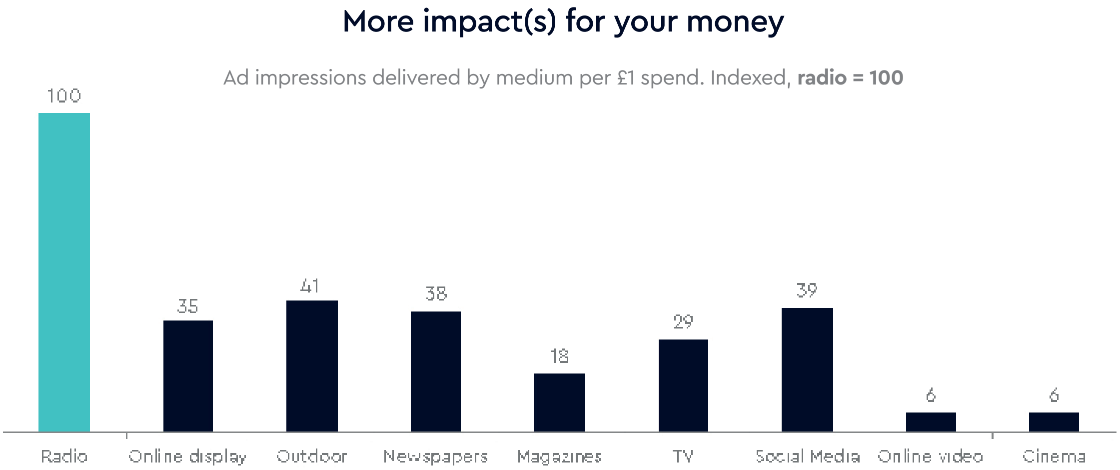
The main implication being that if the competition increases their spend and you reduce yours, it will be easier for them to build excess share of voice; making it more likely that some of your customers will switch to your competitors.

In this context, it's vital to maintain ad spend to protect share of voice, even if circumstances are placing pressure on budgets.

# 3. Re-evaluate the media mix

If events dictate that advertising budgets have to be restricted, yet you still have daunting sales targets to meet, it may be possible to compensate – at least partially – by adapting your media mix to make it work more efficiently. Hopefully you won't be too surprised to discover that radio has a lot of qualities that can really help here, as detailed below.

## 3.1 Improve efficiency of audience delivery




Source: Ebiquity/Re-evaluating Media for Recovery (recalculated from CPT data)

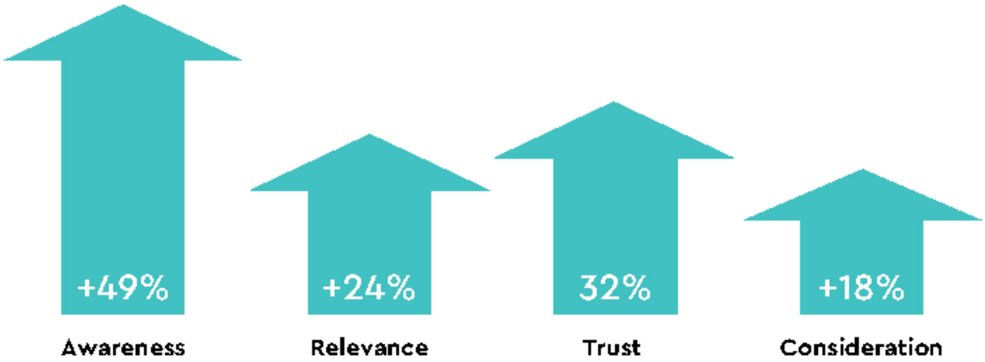
Firstly, and very simply, radio offers advertisers the best value-for-money audience delivery. For every pound you spend on radio you'll be buying at least twice as much audience as you will in any other medium.

Or, for example, over 16 times as much when compared to online video – that's a big head-start when you're looking to build share of mind and exert influence as widely as possible with your media plan.

## 3.2 Boost campaign cut-through and response

Beyond efficiency of audience delivery, radio is proven to boost advertising effects for all sorts of brands when used as part of a wider media mix. Radiocentre's analysis of results from 841 in-market campaigns highlights how radio advertising significantly boosts overall campaign cut-through across a range of metrics including ad awareness, brand relevance, brand trust, and purchase consideration. Which advertiser wouldn't like short-term purchase consideration of their brand to be around a fifth higher?

### Uplift effect of including radio in the media mix for advertisers




Source: Big Audio Datamine: base = 841 in-market radio campaigns

Radio is also a highly responsive medium – perfect for when you need to deliver results quickly, especially online. For companies aiming to drive people to their website, the chart below shows the extent to which radio listeners interact with brands online, with around a fifth of those recalling ads having either searched online for details or accessed the brand's website directly.

Based on the number of people exposed, this equates to a response rate of approximately 5%. Radiocentre's Online Multiplier study reveals that these online effects are immediate too – over half of all browsing stimulated by radio takes place within 24 hours of exposure to the advertising.

### Driving online response

% of listeners recalling the ad campaign to respond in these ways

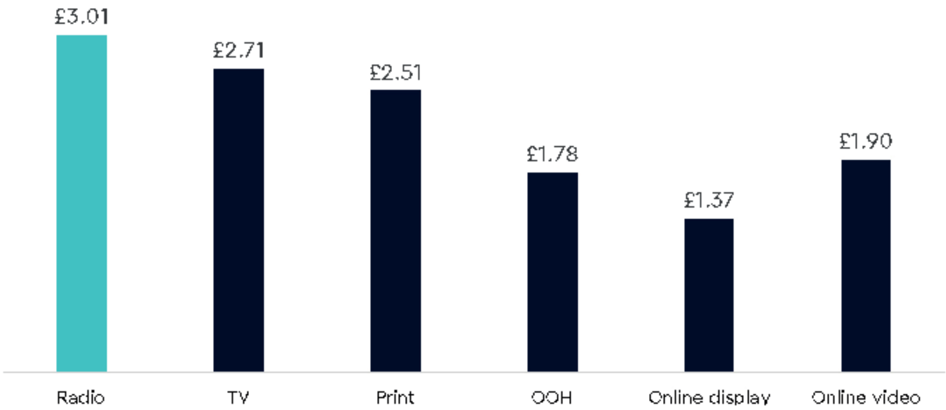

Source: Big Audio Datamine: base = 291 in-market radio campaigns with online call-to-action

## 3.3 Improve campaign Return on Investment (ROI)

But most importantly for advertisers marketing in a recession, 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 medium, paying back over £3 profit for every £1 spent.

### Retail: radio delivers highest profit ROI

Retail sector short-term profit ROI by medium

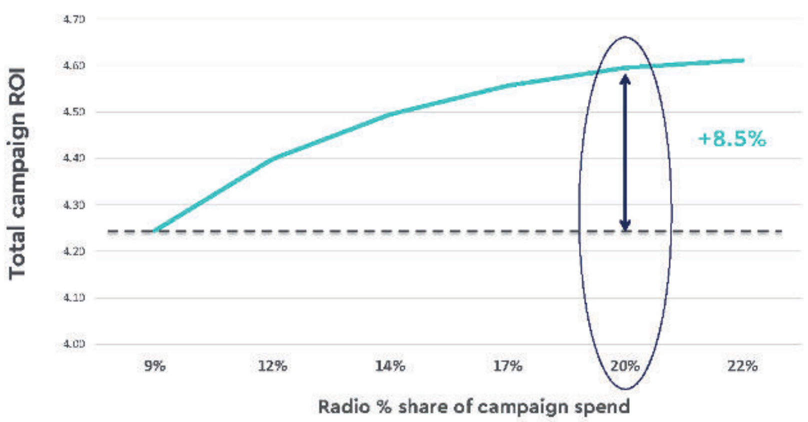



Source: Ebiquity ROI campaign database. Base: 1954 campaign observations

This ROI efficiency of radio means that it can also have a powerful effect on overall campaign ROI. As this analysis from Holmes and Cook demonstrates, total campaign ROI grows as radio's share of the budget is increased, peaking at around 20% share of spend where campaign returns are 8.5% higher. It may not sound like a lot but 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 into radio.

### Increased radio share = bigger campaign effects

**Re-allocating budget** from TV/press/online **to radio** increases overall media campaign ROI

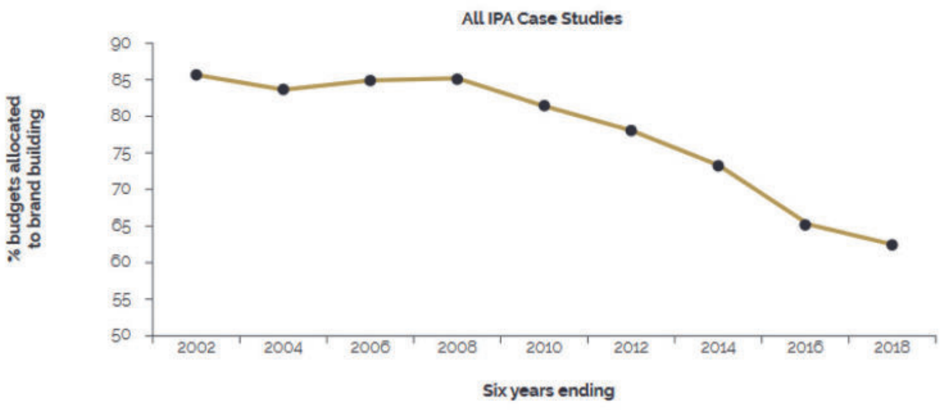



Source: 'Radio the ROI Multiplier' Radiocentre/Holmes & Cook. Base: 132 cases with overall campaign ROI data

# 4. Keep an eye on the longer term

When things get tight it's understandable that advertisers are tempted to focus more exclusively on driving short-term results. In fact, generally over the last decade or so, there has been a significant trend towards campaigns with short-term objectives, as illustrated in this chart taken from The Crisis in Creative Effectiveness report (written on behalf of the IPA by Peter Field) which demonstrates the decline in the proportion of campaign spend allocated to longer-term brand-building activity since the 2008 global economic crisis.

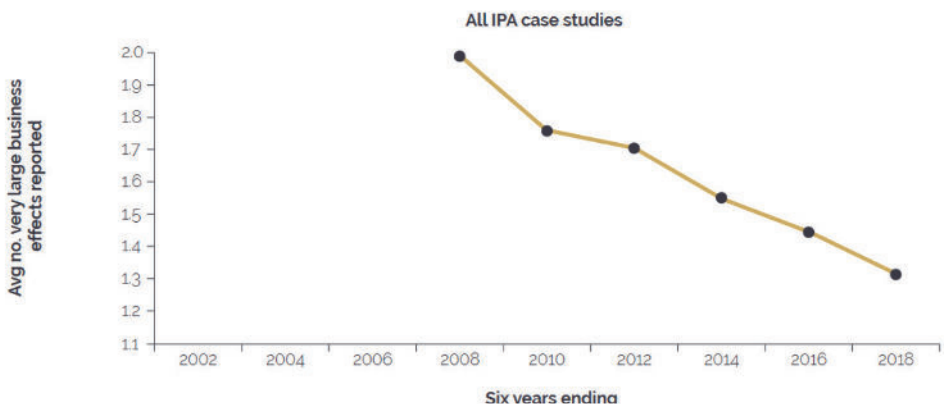
### Drift towards more short-term campaigns




Source: IPA Databank 1998–2018 for-profit cases

While it intuitively might feel like a sensible response to help businesses make it through tough times, is such a pure focus on short-term results really the best way to maintain business health? The evidence suggests not! According to the same IPA report there has been a corresponding (and worrying) 35% decrease in overall campaign effectiveness across the same period.

### Decrease in overall campaign effectiveness

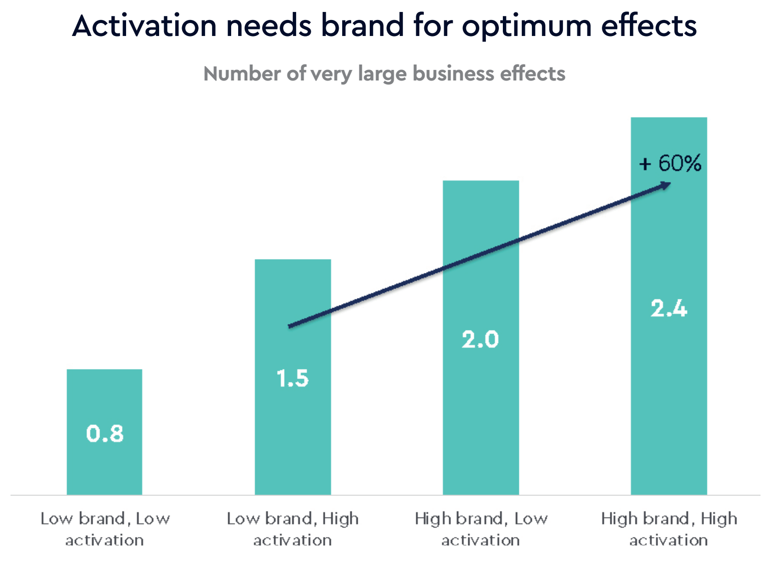



Source: IPA Databank 1998–2018 for-profit cases

However, in some ways this can feel counter-intuitive – how can decreasing expenditure on brand-building in favour of prioritising short-term results lead to a decline in short-term campaign effectiveness?

## 4.1 Activation needs brand for optimum effects

Binet and Fields's analysis of the IPA Databank Effectiveness in Context (published in October 2018), reveals that to achieve the best results, campaigns need to achieve both brand AND activation effects. Campaigns that do both achieve 60% more large business effects than those that just focus on activation.




Source: Effectiveness in Context/Binet & Field

This is 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 seemingly pull us 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 audio brand assets such as voice or music, which can then be deployed consistently over time – and across multiple media – to underpin individual ads promoting different short-term offers. This isn't just about big brands – all advertisers can easily benefit from taking this approach using radio.

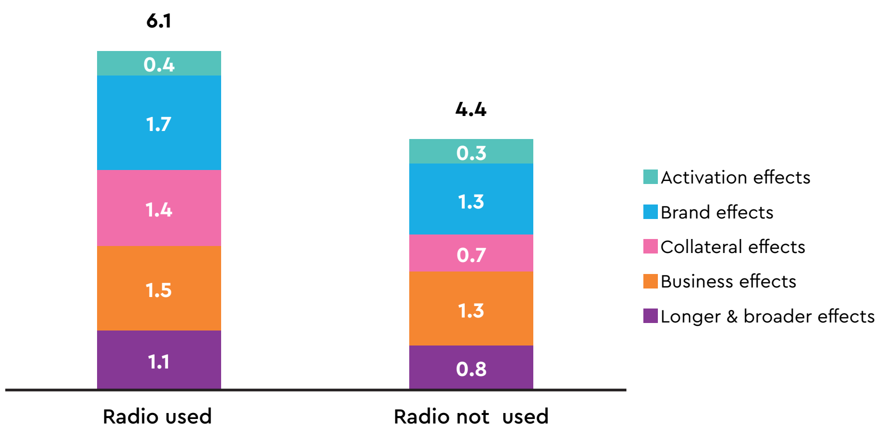
## 4.2 Radio boosts both short and longer-term ad effects

And 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 through to long term reductions in price sensitivity.

A good example of an advertiser playing the short and longer-term game in this way is Plusnet. Initially at least, Plusnet had competitive prices on its side. But 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 delivered in the short-term, the Plusnet campaign delivered two more over the longer-term through its aggregate brand-building effect. That's why the longer-term view matters, even when times are tough.

### Average number of very large effects




Source: IPA Databank

Now, you could counter that this analysis doesn't relate specifically to periods of economic slowdown – and that other media might perform as well as – or better than – radio in delivering longer-term brand effects during a recession.

That's why our 2020 study with Ebiquity – 'Re-evaluating media for Recovery' – set out to understand in more detail the relative effectiveness of different media in supporting brand growth specifically during uncertain times.

Using a combination of new data derived from a survey of advertiser and agency media-decision-makers, combined with a thorough review of the publicly available effectiveness evidence for each medium, the two main objectives of the study were:

a. Identify which media attributes advertisers and agencies value most for driving brand growth during recession

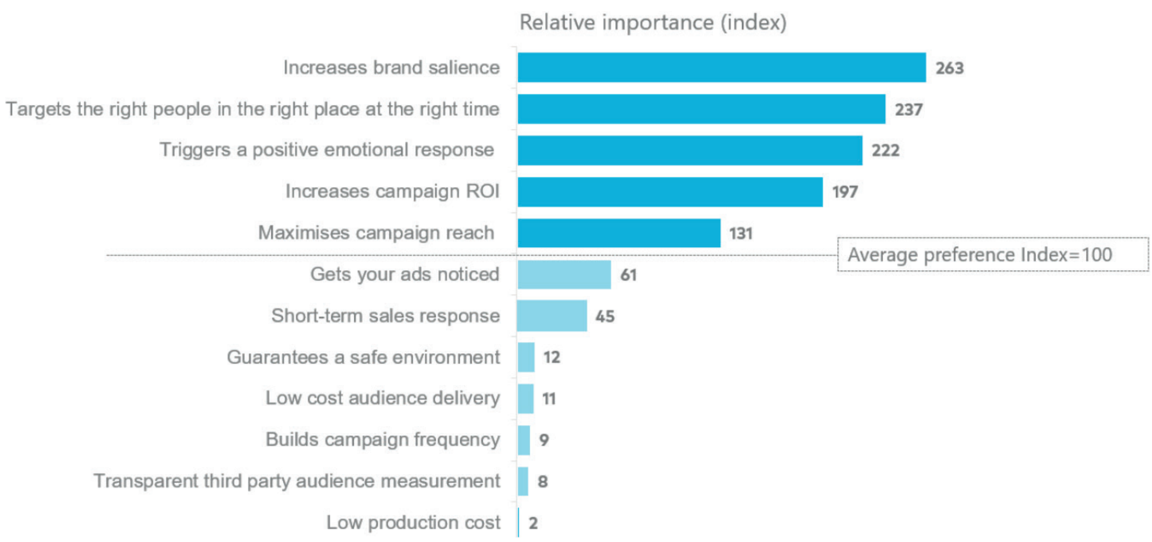
b. Quantify how effectively each individual medium performs against each of these attributes?

## 4.3 Radio is second only to TV in terms of effectiveness for growing brands during challenging times

In terms of the first objective, the data reveals that five media attributes stand out clearly as the most valuable for achieving success during uncertain times: Increasing brand salience: Targeting the right people in the right place at the right time; Triggering a positive emotional response; Increasing campaign ROI; and Maximising campaign reach.

Three of these (salience, emotion, and reach) specifically acknowledge the crucial nature of salience and distinctiveness for the long-term health of brands. As e-commerce proliferates and search plays an increasingly important role in our path to purchase, brands need to ensure that they are top of mind so that their name is typed into the empty search box when the consumer begins their research.

### Most important attributes for growing brands in a recession




Source: Re-evaluating Media for Recovery/Ebiquity

So, if these are the most important media attributes for helping brands to successfully navigate a recession, how effectively do individual media perform against them?

**Radio is second only to TV in terms of effectiveness for growing brands during challenging times**

## 2020 - Evidence

| | | |
|---|---|---|
| 1 | TV | 108.5 |
| 2 | Radio | 102.5 |
| 3 | Newspapers | 82.1 |
| 4 | Magazines | 76.5 |
| 5 | Out of home | 71.2 |
| 6 | Direct mail | 69.6 |
| 7 | Social media | 65.0 |
| 8 | Cinema | 61.4 |
| 9 | Online video | 55.0 |
| 10 | Online display | 49.7 |

EVIDENCE Based on sum of scores for all 12 attributes with importance weights applied.

ebiquity

Source: Re-evaluating Media for Recovery/Ebiquity

The evidence derived from over a hundred industry studies and standard media planning tools, combined with Ebiquity's knowledge and proprietary data reveals that, when it comes to growing brands during challenging times, radio ranks second only to TV in terms of overall effectiveness.

So, in tandem with Les Binet's analysis of the IPA Databank, this highlights the valuable role that radio can play in driving both short and longer-term effects for brands when times are tough.

# 5. Respond quickly to changing circumstances

The final strategy acknowledges that priorities can shift rapidly during challenging times and that advertisers need to have the flexibility to react quickly to address new challenges or harness new opportunities as they arise. Being first to market with relevant messaging can have a really positive effect on consumer perceptions and behaviour for brands operating in uncertain times.

In this context, radio can really help advertisers benefit from first mover advantage!
Because radio ads can be made quickly, they allow advertisers to respond rapidly as circumstances evolve – you can go from brief to broadcast in a matter of days, even if you're working from home!

And with audio's emotional impact and power to engage the imagination, radio ads can really hit the right note – be that about reflecting the current mood of the nation, or metaphorically whisking people away when they need some emotional respite from the stress generated by enduring the challenges of economic slowdown.

To illustrate this, Sainsbury's were able to respond quickly after the initial Covid lockdown in March 2020, using radio advertising to explain how they were going to ensure that vulnerable people and key workers would be able to continue to access the groceries they needed.

# 6. Summary of recommended actions

6.1 Think about how incorporating radio into your campaign can help drive share of voice for your brand and convert that into market share growth four times faster than if you're not using the medium. With increased likelihood of brand switching across this year, consider how radio can help ensure that your brand gains more new users than it loses.

6.2 When budgets are tight you need to make sure that every advertising impression has an impact and elicits a positive outcome for your brand. The evidence reviewed demonstrates how, when used as part of a wider media mix, radio helps advertising campaigns cut-through more effectively and has an immediate effect on influencing behaviour – be that in terms of increasing purchase consideration or online response.

6.3 Crucially, for when times are tough, radio is proven to boost the bottom line in the short-term for advertisers. Allocating money to radio from other media can significantly improve revenue returns from a media campaign while remaining within the same budget.

6.4 And while it's natural for advertisers to focus on the short term, it is important to balance the long and short term. In a period of uncertainty and media volatility, wherever possible invest in media tactics that can deliver immediate return without negatively impacting brand-building efforts.

6.5 Finally, with short turnaround times in both media and production terms, radio is well-placed to help advertisers get new messages on air quickly, to respond to – and benefit from – evolving market conditions.

**Taking all these points into consideration, it's clear how incorporating radio into the media mix can really make a difference in helping businesses stay in good shape when times are tough.**

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