170 members Strong

Media Reallocation Now…

The past few years have brought unprecedented business disruption to some of AM/FM Radio's largest advertisers and while the signs of changing consumer and business trends were clearly visible over a year ago, some of us continued to work **in** the business instead of **on** the business.

When we are working **in** the business, we are just doing our jobs and grinding it out each day. When we are working **on** the business, we are looking down the road, analyzing customer growth or erosion, planning ahead, and developing a realistic, strategic plan for our long term success.

Radio is positioned, now more than ever, as the largest reach medium in the U.S., with remarkable and consistent AQH and cume growth, impressive and voluminous qualitative listener data, and 24/7 listener engagement; all from a 100 year old medium that now reaches a staggering 93% of the U.S. population every week.

What can we infer about the intrinsic value of Radio that total listener Reach, AQH, TSL, Cume, and any other documented measurement keeps **growing** despite numerous other audio and digital platforms that were supposed to erode listenership from Radio?... That listeners of all ages just can't resist the free and easy access to AM/FM Radio in the United States is very clear.

Radio is stronger, more efficient, and more valuable (or should be) to an advertiser right now than Pandora, Sirius/XM, Spotify, podcasts, traditional appointment TV, newspapers, local cable, billboards, direct mail, Groupon, **and** we would vehemently argue, that Radio has a better ROI than Google/Facebook, etc.

(There is a reason why Proctor and Gamble pulled its $100 million dollar budget away from all digital in 2017; it just was not returning a tangible ROI)

Can we agree that Radio and all of its digital platforms, events, sponsorships, mobile apps, streaming websites, geo-targeting tools, translator boosts, and enormous brand, and on air talent loyalty, has reached a new level of greatness, yes, **greatness!**

If that is the case, why is our industry's advertising revenue down? Can't our clients see how great we would be for them? Should our sales people be working 6 days a week? Should we change format? Should we take more media buyers to lunch? Well….not really.

The answer is screaming at all of us, if we will only just listen…

Let’s stop working **in** the business and start working **on** the business.

Radio’s largest and historically reliable ad categories are in various stages of significant disruption, creating reduced or reallocated ad budgets to counter their respective industry’s turmoil. This trend line did not happen yesterday or within a vacuum. Just a closer look at a few of our leading ad categories over a year ago and anyone could have easily projected today’s ad revenue erosion.

Automotive: Eight months of increasing decline for light vehicle sales in 2017 should surprise no one as should 12-18% erosion in local ad budgets for dealers and dealer associations to date. While 2016 was a great year for the auto industry, the sales success of the industry masked serious warning signs of what would come to haunt us all in 2017:

- Days on Lot (the amount of days on average it takes to sell a new vehicle) grew every month in 2016, clearly indicating a slowdown was coming.
- Consumer debt on auto loans, subprime and deep subprime auto loans also grew on a monthly basis in 2016, including an alarming increase in auto loan delinquency.
- Factory and Dealer Incentives began rising significantly in April 2016 to a record high at that time of $3,200 on average. This increase continued throughout 2016, eroding dealer profit margins, but helping to spike sales of existing inventory.
- And then there was Tesla…

Groceries have been in a depressed state for at least the past two years. The hyper competitive grocery business has been reeling from one competitive punch after another and this was **before** Amazon decided to upend the industry with its gigantic purchase of Whole Foods.

- Grocery chains reported deflationary pricing in 2015 and it only got worse from there.
- German owned Aldi expanded its U.S. presence with a deep discount and market share pricing strategy which has made grocery prices even lower.
- Grocery selection and volume expanded in Walmart, (now 52% of their business) Target, Sam’s club, Costco, and others, redefining where groceries can be bought beyond traditional grocery stores.
- The government is now allowing food stamps to be used to buy on line groceries and 6 major on line chains are participating in California. This single change will upend the retail grocery chains, where food stamp purchases are 11% of their volume business on average.
- And then there was Amazon….

Cellular and its biggest players, AT&T, T-Mobile, Sprint, and Verizon are in the midst of the most intense price war of the past 5 years. Since cell companies are no longer financing the next great version of the IPhone or Samsung, customers are slower to switch cellular providers.

- New upgrades to larger data plans are the cheapest in 5 years.

- Customers are holding on to their existing phones and plans, so in order to get them to move to a new provider, plans have become even cheaper, eroding profit margins further.
- Sprint is hemorrhaging market share, with AT&T, Verizon, and T-Mobile bouncing back and forth with changing ad budgets based on the competition.
- And then there was messaging…

Our industry must look beyond a flat to down 2017 and search for client trends that are in a disruptive as well as opportunistic mode in order to help them increase their revenue and market share.

If we truly believe in the power and effectiveness of Radio, then "**Media Reallocation**" is the next logical step to insure our client's and Radio's growth.

Disruptive industries have little interest in increasing their ad budgets when they are losing money, and growing businesses must also be cautious with their budgets, but that should not stop us from making sure they don't continue to invest in media that does not fit their target age group and income levels.

Let's be honest; ad budgets are not growing. Radio must stop fighting each other to gain a few extra share points of a diminished client budget. Instead, we must turn our focus, attention, and training to **Media Reallocation.**

Media Reallocation is based on an unshakeable belief (backed by facts) that Radio and its numerous digital platforms can be more efficient and effective than other media and should be earning a larger share of our clients' precious ad budgets. Not because we are greedy; but because we want our clients to invest their media dollars wisely. By doing so, their success and ours are assured. Real partners in business do that.

Media Reallocation is not "negative selling". It is simply making product comparisons; not unlike every other industry on the planet that does so every day of the week. Of course, how it's done and by whom will ultimately frame its success. In the right hands, anything is possible.

Media Reallocation is also based on a rich data base of knowledge about today's consumer by product, by brand, by age, by income, and any other data point needed to make logical conclusions about who a client's customer is and where best to invest their media dollars.

Media Reallocation encourages most media to participate in a client's growth as most media platforms have value; it is the amount of the investment and the role each media plays that must be viewed through the critical prism of customer mapping to each media's true ROI.

Here a just one media comparison that screams "Media Reallocation" right now:

The Grocery Segment:

- The average age of today's grocery shopper is 47.
- Radio's average age: 45

- Digital's (Facebook, Google, etc.) average age: 38
- TV's average age: 57
- Newspaper average age: 53

So, based on the average age of today's grocery shopper alone, should we discuss a larger role for Radio whose average age actually reflects today's core shopper?

The deeper one gets into this one category, the larger the role for Radio becomes. And of course many of the same data points apply to Automotive with even larger gaps among the various media used for age, income, and family size. In fact, looking at Radio's top 20 ad categories, the time for Media Reallocation is long overdue!

Faced with these comparative and compelling consumer facts, we can do one of two things; we can continue work **in** the business and take our small piece from the media "budgets", created by someone who does not have the same facts that we have…

Or

We can work **on** the business, arrange direct meetings with decision makers, compare and contrast AM/FM Radio to all media used, and based on the facts, and facts alone, request, indeed insist, on a much larger role for Radio.

If we are committed to our advertisers with superior client service, then the time for Media Reallocation is now.

If not now, then when?

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