



Radio still dials up b-to-b audience

By Matthew Schwartz

Story posted: May 5, 2008 - 6:01 am EDT

The radio industry is grappling with declining ad revenue and growing competition from new media. Yet amid all of the upheaval in media, the oldest electronic medium continues to be a viable marketing tool for b-to-b companies.

Take Fellowes, a 91-year-old b-to-b company that sells office equipment and supplies. The company devotes 25% of its marketing communications budget to radio, either exclusively or as part of an integrated media buy, said Maureen Moore, director of corporate marketing and communications.

"Radio enables us to explain an issue—and a solution—in a way that other media don't allow," Moore said.

For example, in a radio spot highlighting the safety features of Fellowes' shredders, the announcer asks: "When you think of family safety, what pops to mind? Deadbolt locks? Smoke detectors? Well, shouldn't safety extend to your paper shredder, too?" The announcer goes on to describe Fellowes shredders' SafeSense technology and points listeners to fellowes.com to view product demonstrations.

"Radio is able to capture peoples' attention and imagination in a way that other media can't, because with radio you have to stop and listen," Moore said. Fellowes buys national radio spots on the Westwood One radio network, the Wall Street Journal Radio Network and WQXR-FM/the New York Times Co. Moore said the company typically runs commercials during "drive time" because it finds that provides the best opportunity to reach business executives.

The UPS Store takes a similar approach in buying airtime. "We know drive time and afternoons are the times when decision-makers are either starting their day or are in their car," said Karen Kelly, marketing manager of the UPS Store, which buys local radio programming to augment the company's TV, print and online advertising. "Every market varies by rates, but we find [drive time] to be the most efficient in terms of reach and frequency," she said.

A study by Media Audit found that 55% of business owners, partners and corporate officers listen to the radio between 5 a.m. and 10 a.m., compared with 45% of the general population. The telephone survey, which took the pulse of 6,860 business executives in 88 U.S. cities in 2006 and 2007, also found that on an average day, 75% of these executives tune to radio, compared with 68% of the general market.

According to the survey, the top radio formats for reaching business executives are: news/talk (21%), public radio (17%), country (12%) and talk (11%).

B-to-b marketers that want to use radio advertising should choose the programming genre carefully, said Janice Barbosa, director of media for Sprint Corp., which uses local radio programming to push its Nextel Direct Connect line of telecom products to the small and midsize business market.

"We're not cherry-picking programs but finding the right environment to reach our audience," Barbosa said. "There's a big difference in [radio] habits between a small business and the head of a large accounting firm, and your choices need to reflect that."

Greg Hoffman, president of the Denver branch of TruePresence, an Internet marketing company, said b-to-b advertisers should not necessarily box their radio advertising spending into drive time. "Look around during

the lunch hour," said Hoffman, who spent more than 18 years in radio sales. "It's mostly working people. There's also value in the middle of the day, as opposed to just drive time."

NOT FOR EVERYONE

B-to-b media buyers stress that radio advertising is not for every marketer and that it works best for certain industries, such as finance, health care and telecom.

"A lot of b-to-b advertising is industrial, while a lot of radio is targeting general business owners," said Kevin Arsham, trade media director of OMD and chairman of the American Association of Advertising Agencies' Business to Business Committee.

"If the business owner can't identify with what's being sold, then it's not targeting."

Arsham added: "Radio advertising does allow for drama you're not going to get from TV, but what comes first is making sure [the ad is targeting] the right audience."

Overall, radio ad revenue fell 2% last year to \$21.3 billion, according to the Radio Advertising Bureau (RAB). Local radio ad revenue slid 2% to \$15.1 billion, while national radio ad revenue dropped 6% to \$3.3 billion. The radio industry's Internet and other off-air revenue rose 10% to nearly \$1.7 billion. Network ad revenue grew 4% to \$1.1 billion.

The RAB hopes that its recent decision to split its marketing division into two groups—a business development unit and a marketing/communications unit—will help dial up radio's overall share of advertising dollars.

"We want to bring more clarity to what we're doing on a day-to-day basis for our marketing efforts," said Jeff Haley, president-CEO of the RAB. "It's a further refinement of our strategy and not a reaction to any outside influences."

Leah Kamon, named senior VP-marketing and communications for the RAB, is helping to promote the Radio 2020 initiative, a collaborative effort of the RAB, National Association of Broadcasters and HD Radio Alliance, to promote terrestrial radio. This spring the three groups also launched "Radio Heard Here," a new campaign designed to pump up the volume on radio's digital presence.

The U.S. now has more than 1,600 HD radio stations, according to iBiquity, which develops and licenses HD radio technology, or digital radio. Ten of the nation's largest radio broadcasters have committed \$230 million this year to educate listeners about HD radio. The alliance members have already spent \$480 million on this effort.

The RAB also recently named John Potter, previously VP-educational services, to the newly created position of VP-interactive revenue development. Potter's marching orders: Develop resources to help radio stations sell advertising against interactive content.

Haley said that rather than being a hindrance, the Web benefits radio by providing another stream for programming and offering media buyers more integrated marketing packages. He said satellite radio devotes just a "small piece" of its programming to advertising.

That may change in light of the U.S. Justice Department's decision in March to approve the merger of satellite radio companies XM and Sirius. The deal still needs approval from the Federal Communications Commission. XM and Sirius combined would have roughly 17 million subscribers. Both Sirius and XM carry Bloomberg Radio and CNBC.

"We anticipate more b-to-b dollars as we expand opportunities on our platform and build out Web extensions, podcasting, promotions and business seminars," said D. Scott Karnedy, senior VP-sales and marketing solutions for XM Radio. "We're appealing to companies not looking to run the typical 30-second and 60-second radio spots and [who] want to engage with decision-makers through targeted information."

Jim Doyle, a senior analyst at research company CL King & Associates, said that ultimately there may not be much competition for ad dollars between satellite radio and terrestrial radio.

"Although satellite radio and Internet radio have become larger, indirect competitors for terrestrial radio's audience, in which 80% of its ad revenue is local. [satellite radio's] forms of audio are national in scope and

[attract] a much smaller audience," he said. "An auto dealer in Dubuque or a b-to-b company in Dallas would have considerable ad waste using those national services versus local terrestrial radio with local-interest programming and popular, local, on-air talent."