Join the radio 20% Club

By Danette Breitenbach

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This year's Radio Advertising Bureau's (RAB SA) RadioWorks Conference, which took place in Cape Town and Johannesburg, focused on how radio delivers Return On Investment (ROI).

Expanding on this theme, international speaker, Michael Tull, RAB's Insight Manager in the United Kingdom (UK), presented a study done by RAB UK, "Radio the ROI Multiplier", in which radio advertising effectiveness was evaluated in detail in terms of revenue ROI across a broad dataset.

"While most of us are aware of the rational reasons why radio works and what it can do for brands the aim of this research - a world first - was to give brands rational reasons as to why radio works, or to understand what ROI they are receiving from radio," he explained.

Radio gives good ROI

Previous research has indicated that radio does give a good ROI. In the UK, for every £1 an advertiser invests in the medium, they are rewarded with a return of £1.48. This is behind the return of television, but ahead of all the other media.

If the right allocation of spend is made, ROI from radio is very good. (Image: Wikimedia Commons)

The data for the research was supplied by nine agencies. In total 2,000 individual media campaigns in 10 sectors were included. "Our data set had to be representative of campaigns. The number of ROI cases for radio was 464.

The key finding was that the average ROI for brands on radio is £7.70 for every £1. This is behind television, but ahead of press and Out of Home (OOH).

In terms of sectors, the ROI varied between the sectors. The sector that delivered the biggest ROI was retail, with £18.90 for every £1 spent on radio advertising. It was the top medium in terms of delivering ROI, ahead of television and the other media.

The other sectors in which radio was top, ahead of television and other media, was automotive, finance, leisure and entertainment, and travel.

Fixed factors influence ROI

Oddly enough, the sector it did not perform well in was FMCG, coming only third, behind television and press. "We were disappointed in this result and so we had a closer look. We found that FMCG campaigns can be successful on radio, but the creative had to be better than average and the spend increased."

Spend is a variable factor that you can control in determining how radio impacts your overall campaign. Overall ROI is influenced by fixed factors that you cannot control and variable factors that you can. "Reallocating budget to radio from other media will make your campaign achieve a better overall ROI. This point is reached when 20% of your overall spend goes into radio. Past this point it becomes ineffective," says Tull.

Therefore, 20% share of total spend, with no increase in the overall expenditure, leads to an increase of over 8% in total campaign ROI.

Therefore, radio should play a bigger role in your advertising, he maintains. "This research proves that radio can unlock millions and multiply the returns an advertiser gains from its campaigns."

The majority of advertisers' spend on radio is 6%, which is way below 20%. "Most agencies when I approached them, laughed in my face. However, when you see the returns of the major advertisers in the UK, who are already on 20% radio spend it is no laughing matter. As a result of this research we have seen an increase in radio spend."

ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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