

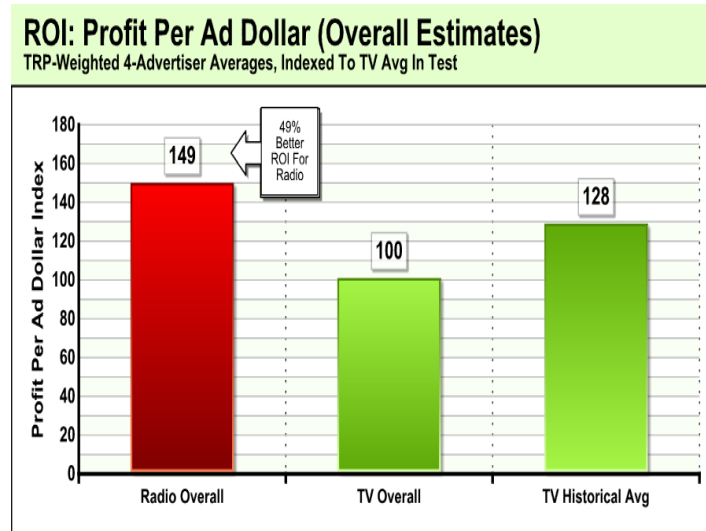


Radio's ROI Advantage

Conducted by millward Brown and Information Resources, Inc. (IRI)
June 2005

Study Highlights

In this third major study from the Radio Ad Lab, our largest project to date, we address the core issue of advertising — Return on Investment. The results confirm our prior theories: Radio's ROI in this test was 49 Percent higher than we observed for television. When compared to our partner advertisers' historical TV ROI averages, Radio's ROI is approximately 17 Percent higher than television.



Brief Overview

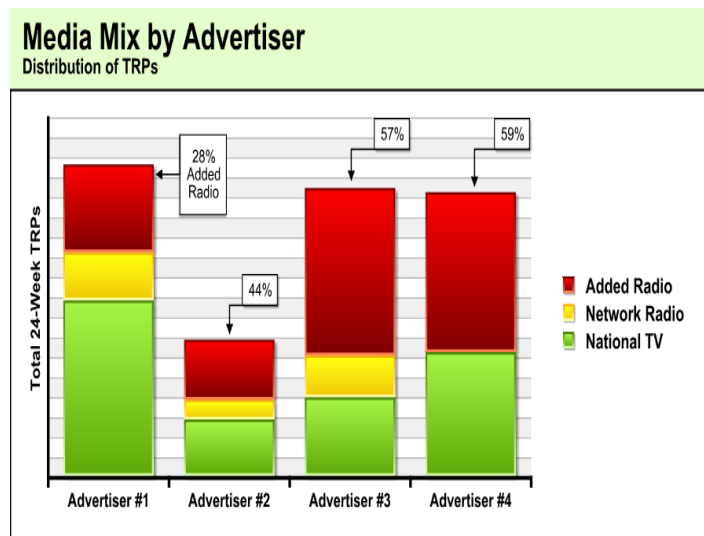
Radio's ROI Advantage is the third of three major primary research projects undertaken by the Radio Ad Lab for publication in 2004 and 2005. Each of the prior studies provided significant new learning about how Radio affects consumers and about how Radio can work with other media. These studies were an excellent beginning, especially combined with knowledge from past research summarized in the Radio Ad Lab's series of White Papers, Case Studies and The Research Compendium.

But this past research and our two recent studies left us hungry for more. Specifically, we wanted to develop a deeper understanding of Radio’s actual Return on Investment (ROI) as an advertising medium, especially in a real-world setting with actual advertisers’ campaigns. To that end, we conducted the following test in late 2004 - early 2005, with the expectation of providing another piece of the puzzle to Radio’s effectiveness.

This “real world” study was conducted by Millward Brown and Information Resources, Inc. (IRI). Our objective was to go a step beyond some prior research, in which the Radio Ad Lab identified implications of better ROI for Radio, based on assumptions of Radio’s cost being less than television. With Millward Brown, IRI, and the significant cooperation of four national advertisers who wish to remain “masked,” we were able to design a robust study, in the U.S., that involved multiple advertisers. (See Radio Ad Lab White Paper Number Two.)

This allowed the Radio Ad Lab to examine the results of four pairs of Radio and television campaigns in four markets, in a range of product categories over a six-month period ending in early 2005. The product categories included Grocery Food, Grocery Non-Food, and two very distinct Over-The-Counter Drug products.

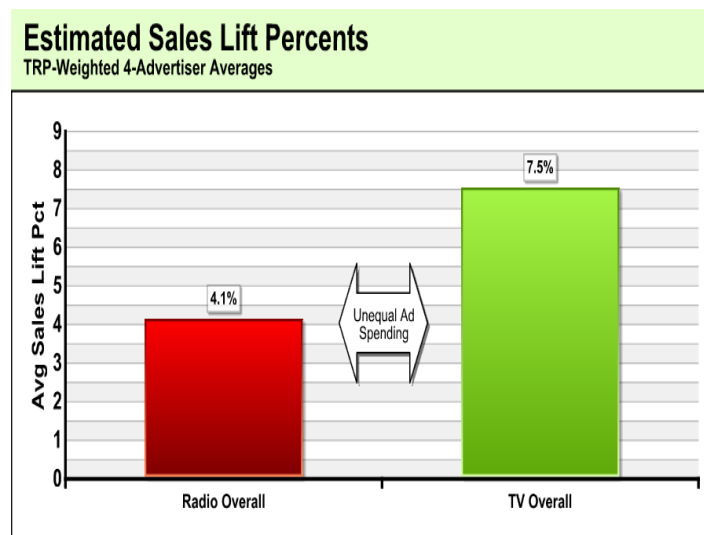
In setting participation guidelines for this test, the Radio Ad Lab hoped to insure our test would include additional Radio advertising at sufficient weight to be clearly measurable, especially compared to the advertising weight being used for national TV:



By conducting the study in four IRI BehaviorScan markets, we were able to utilize IRI's Targetable TV capability to control whether specific ads - those for our partner advertisers in the test - were delivered to households in each of these markets' main cable systems. Those cable systems account for a majority of each of these markets' TV households. This meant that we were able to create four test cells: one with no TV or incremental Radio; one with incremental Radio only; one with national TV only; and one with both national TV and incremental Radio.

In all four markets, a subset of the households also is part of IRI's consumer shopping panel, which yields household-by-household information on product sales for correlation with media exposures. We were able to track differences in sales volume as the ad campaigns progressed, with the effects of the television and Radio campaigns isolated.

After the six month campaigns, we were able to analyze scanner sales data for each of those test cells, after controlling for other factors like pricing, promotion, in-store displays, and competitive activity. First, IRI made comparisons on the total sales effects ... prior to any controls for advertising weights or media costs. Here is what we saw:



As you can see, even before taking lower costs into account, the Radio ad campaigns for these four advertisers acquitted themselves very well. The incremental Radio campaigns were linked to statistically significant sales lifts of 4.1 Percent according to IRI, while the television campaigns were higher at 7.5 Percent.

Once we account for media costs, however, and as you saw earlier in this summary, the key finding is that incremental Radio campaigns showed significantly better ROI for these advertisers than did their national television campaigns, whether the TV ROI was measured by this test's results or by the advertisers' own historical return estimates for television.¹

¹Our research partner, IRI, recommended that we benchmark our television test results to the advertisers' own internal estimates of TV ROI as reassurance that our TV test results were reasonable.

There is additional information in the full research paper - available for free at the Radio Ad Lab website, www.RadioAdLab.org - that demonstrates Radio's results in the presence of TV, and TV's results in the presence of Radio, if you're interested in another method of analyzing the data.

For all the study's complexity, we think the implications for advertising are clear:

- Radio moves product. Across four different advertisers, incremental Radio advertising consistently and significantly increased product sales and delivered meaningful profit for each dollar of advertising. Radio demonstrated in this study that it can function as a primary medium for advertising.
- Radio ads increase sales even when national television is present. Radio was just as potent in the presence of 50–100 TRPs of national TV as it was by itself. In fact, the detailed test results actually suggested slightly more impact for Radio when combined with television than when used alone.
- Radio's effects can be measured—when Radio is used at sufficient weight. Radio is prepared to be held accountable for its advertising effectiveness. But effectiveness measurement requires that advertising be present at sufficient weight for statistics to accurately capture that result.
- Most importantly: Radio's ability to deliver strong Return on Investment for advertisers has been proven in a real-world test at last. In this study, Radio's ROI was 49% better than television's, and Radio advertising's value is no longer just speculation.

One final thought: We can only guess how much better that value might be if the creative quality of Radio advertising received as much attention and investment as ads in other media. All the television campaigns in this test had received favorable advance testing; none of the Radio ads were pre-tested.

All Radio Ad Lab research including White Papers, studies, and summaries, is available in its entirety and for free download at www.RadioAdLab.org. We encourage you to sign up for our announcement mailing list at the website to make sure that you're notified of new Radio Ad Lab research.

Radio Ad Lab Board of Directors and Research Committee

The Radio Ad Lab Board of Directors is comprised of radio industry executives from the funding organizations and from other key broadcasting constituencies. For more detailed information, and to view a list of the Board members, please visit our website.

The Radio Ad Lab Research Committee is responsible for determining the direction of all research projects funded by the Radio Ad Lab and includes members from the advertising and client communities in addition to the Radio industry. Research Committee members are:

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RAB: Andy Rainey

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Consultant: James Peacock (Peacock Research, Inc.)

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Premiere Radio Networks
Regent Communications, Inc.
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Saga Communications
Univision Communications, Inc.
WBEB-FM
Westwood One Radio Networks

About The Radio Ad Lab

The Radio Ad Lab is an independent organization established in 2001, funded by Radio industry companies to further the understanding of how Radio advertising works, to measure Radio's effectiveness, and to increase advertiser and agency confidence in Radio.

All Radio Ad Lab research, including White Papers, studies, and summaries, is available in its entirety and for free download at www.RadioAdLab.org. We encourage you to sign up for our email list at the website to make sure that you're notified of new Radio Ad Lab research.

