



## Radio Multiplier Effect

### Estimating the Benefit of Adding Radio

*“Radio is about 80% as potent as TV — for a single exposure”*

- A single exposure to a Radio ad can have about 80% of the impact of a TV ad as measured by recall.
- As long as Radio’s cost relative to TV is lower than its relative effectiveness, moving at least some TV dollars into Radio advertising can be a powerful enhancement to a campaign’s effectiveness.



## Radio’s Impact on Recall: About 80% of TV’s for Single Spot

### Many Studies Converge on This Estimate

While recall as an absolute measure of effectiveness is often questioned, it may have more utility as a relative measure. In particular, many of the historical studies attempted to benchmark Radio ad recall to that for television.

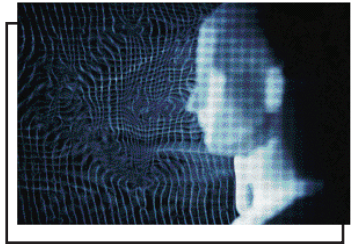
Many of the studies compared single-exposure recall for Radio and TV ads, and concluded that a single exposure to a Radio ad can have 60-90% of the impact of a TV ad as measured by recall. Most of these studies were summaries of many different ads of varying lengths and types.

Some examples:

- **Radio = 80% of TV:** In 1970, Gallup & Robinson had a regular commercial recall product for TV and other media in Philadelphia based on prior-day recall of copy points among primetime viewers/listeners; the average “verified recall” of TV copy points based on an aided list of advertisers was 10%. In a test of Radio spots in Philadelphia in May 1970, average verified recall of Radio spots was 8%. (Gallup & Robinson 1970.)
- **Radio = 70% of TV:** In the 1980s, The PreTesting Company used an in-person method for testing immediate recall of TV and Radio ads after “misdirection exposure” to other video content. According to an RAB summary, Radio ads were remembered about 70% as well as TV ads on average across many studies. (Galen 1987, Radio Ad Lab Compendium page 36.)
- **Radio = 80% of TV:** In 1987, Capital Radio in the U.K. conducted a telephone recall study of 150-200 different ads that ran over two weeks on two TV channels and one Radio station (Capital Radio). The study used a measure called “Proven Recall Ratings” defined as the percent of available audience that could also recall a specific ad. This measure averaged 31-34% for the TV ads, and 27% for the Radio ads. Thus, the conclusion that “Radio is about 80% as effective as TV.” (Radio Ad Lab Compendium page 37.)

(Continued from page 1)

- **Radio = 83% of TV:** A 1997 study in Canada by the Radio Marketing Bureau, which was similar in design to the older Gallup & Robinson studies, found that aided recall for Radio was 83% of TV's. Brand recall for Radio was about 60% of TV's. And that's with about a 30% overestimate of the number of people exposed to the Radio ads. (RMB 1997, Radio Ad Lab Compendium page 47, and Ferris-Charlebois 1999, Radio Ad Lab Compendium page 49.)
- **Radio = 61% of TV:** In Norway, Carat Media & Research conducted regular weekly tracking of aided recall for TV and Radio ads which had aired recently. According to Carat, "The average impact score of Radio was 14% compared to 23% on Television." (Thalberg 1999, Radio Ad Lab Compendium page 51.)



Despite the variations in method, recency, spot mix, and country, there is some convergent validity here. Assuming that recall is a reasonable proxy for effectiveness, it seems clear that **Radio is about 80% as potent as TV - for a single exposure of an average spot.** Of course, a single exposure costs less to achieve in Radio than in TV, which leads to the next set of findings...

## Considering Cost *AND* Effectiveness

### The U.K.'s "Radio Multiplier" Study

One of the best and most recent studies that attempted to consider cost and effectiveness simultaneously was the 2001 "Radio Multiplier" study, described in an AdMap article by Andrew Ingram and Peter Cory (and summarized in the Radio Ad Lab Compendium, page 57). While the Multiplier study only considered measures of advertising recall, this Millward Brown project involved nearly 5500 interviews in continuous research to track awareness and attitudes to 17 brands. The media tested were Commercial Radio and TV in the Central Region of the U.K.

*"If 10% of a given TV budget is re-deployed into Radio, the efficiency of the campaign in building awareness increases on average by 15%."*

Here we'll quote from the RAB/U.K.'s summary of the study:<sup>1</sup>

"This study was devised to find out how effective Radio advertising can be relative to TV... Effectiveness was gauged in terms of measuring increases in advertising awareness.

"The study tracked perceptions amongst consumers aged 16-44 for seventeen brands advertised in two comparable regions, Derby and Coventry (both in the Central ITV area). For each brand, one town had Radio advertising while the other did not. TV advertising was the same across both towns."<sup>2</sup>

"Millward Brown, who conducted the study across October 1999 to April 2000, model effectiveness in terms of the Awareness Index. Across the seventeen brands:

- The average Awareness Index for Radio was 3.
- The average Awareness Index for TV was 5.

"Therefore Radio was, on average, three-fifths as efficient as TV at driving advertising awareness amongst Radio listeners.

"In terms of price Universal McCann, who planned the campaigns, advise that for 16-44s Central ITV is around seven times the cost of Radio. So, by achieving three fifths of the awareness at one seventh of the cost, the Radio campaigns were significantly more cost-efficient than the TV campaigns. Obviously price variance between Radio and TV will vary depending on area and audience.

#### Footnotes:

<sup>1</sup> <http://www.rab.co.uk/publications/html/Guide-RadioLab2.htm>

<sup>2</sup> Radio Ad Lab note: The study actually examined a mixture of campaign scheduling over time, with various combinations of Radio-only, TV-only, TV followed by Radio, TV overlapping with Radio, etc. Millward Brown then modeled the average effects of each medium by considering both longitudinal and market-vs.-market comparisons.

# A U.S. Application

## Does the Multiplier Effect Hold Here?

While the U.K. study is powerful and intriguing, we have to acknowledge that the conclusions are based on relationships which may not hold in the United States. Radio's relative cost was low in the U.K. study (compared to most current U.S. estimates), and its relative effectiveness was also low relative to most other studies found by RAEL (as described earlier).

The relationship of Radio and TV costs is particularly hard to estimate for the U.S. Radio's relative cost depends on everything from whether the comparison is national or local, to whether one is comparing similar dayparts. As a result, we've seen cost ratios for U.S. Radio that range from 29%<sup>3</sup> to 71%<sup>4</sup> of TV's cost. Contrast that to the 14% relationship cited in the U.K. study.

So does the Multiplier Effect work in the United States? RAEL has developed a pair of tables that may help you decide for yourself. (Upon request, we could also provide a simple spreadsheet for making your own estimates for different assumptions.)

*"Radio Ad Lab Urges Advertisers to Test Budget Reallocations."*

Based on the historical research, it appears that average Radio spots tend to have about 80% of the recall power of average TV spots. Thus, we'll provide illustrative scenarios that range from 70% to 90% relative power.

And based on a conservative reading of the U.S. price relationships, we'll illustrate with Radio prices ranging from 50% to 80% of the corresponding TV price.

Here's a table which shows how much a campaign's effectiveness could grow (in percentage points) if the advertiser shifted just 10% of the campaign's buy from TV to Radio, using a variety of assumptions about relative power and cost:

**Table 1: Gain in Effect (in Percentage Points) from Moving 10% of TV Budget Into Radio**

| <i>Radio's Relative Cost</i> | <b>Radio's Relative Power (vs. TV)</b> |       |       |
|------------------------------|--|-------|-------|
|                              | 90%                                    | 80%   | 70%   |
| 50%                          | +8.0%                                  | +6.0% | +4.0% |
| 60%                          | +5.0%                                  | +3.3% | +1.7% |
| 70%                          | +2.9%                                  | +1.4% |       |
| 80%                          | +1.3%                                  |       |       |

Here's how to read this table:

If you want to assume that Radio's effectiveness is about 90% of TV's for a single spot, look at the column labeled 90% above. Then, if you want to assume that the CPM for Radio is about 50% that of TV's for a particular campaign, look at the row labeled 50%. That cell indicates that the campaign's effectiveness would increase by 8.0% if 10% of the budget were moved from TV to Radio.

**Footnotes:**

<sup>3</sup> 2002 Global Media Cost Comparison, published by WARC/WFA and compiled by Mediaedge:cia. This represents national networks, both for TV and for Radio. For TV, the CPM data are for total-adults 30-second spots overall, and are "the average of five national broadcast networks as well as 24 cable networks." For Radio, the data are for 30 second spots and are for "national network Radio data" based on RADAR.

<sup>4</sup> Estimate based on SQAD data provided by Katz Media, representing local market spots in the top 60 TV markets. This was computed by comparing the average Radio market CPM against an "average" TV CPM (averaging each available time period).

*(Continued from page 3)*

Here's how that same table looks for a move of 20% of the budget from TV to Radio:

**Table 2: Gain in Effect (in Percentage Points) from Moving 20% of TV Budget Into Radio**

| <i>Radio's Relative Cost</i> | <b>Radio's Relative Power (vs. TV)</b> |        |       |
|------------------------------|--|--------|-------|
|                              | 90%                                    | 80%    | 70%   |
| 50%                          | +16.0%                                 | +12.0% | +8.0% |
| 60%                          | +10.0%                                 | +6.7%  | +3.3% |
| 70%                          | +5.7%                                  | +2.9%  |       |
| 80%                          | +2.5%                                  | +2.9%  |       |

## Radio Ad Lab Commentary

### The Radio Multiplier Effect Should Hold for Most U.S. Scenarios

Applying the U.K. "Multiplier Effect" conclusion to the U.S. Radio market is an imperfect art. But based on the research evaluated by RAEL, we think the general conclusions would still hold.



Even using a conservative assumption of 80% power and 70% cost, we can see that **a shift of 20% of a TV budget into Radio would increase the campaign's effectiveness** (by about 3%)—without spending a penny more.

Of course, investing in Radio advertising which is more effective than average makes the comparison even more attractive. Similarly, comparing different dayparts could lower the relative cost.