

It's Value, Not Cost !

Rhody Bosley, Partner
Research Director Inc
rbosley@ResearchDirectorInc.com



Agenda

value

added value

price

create value

prove value

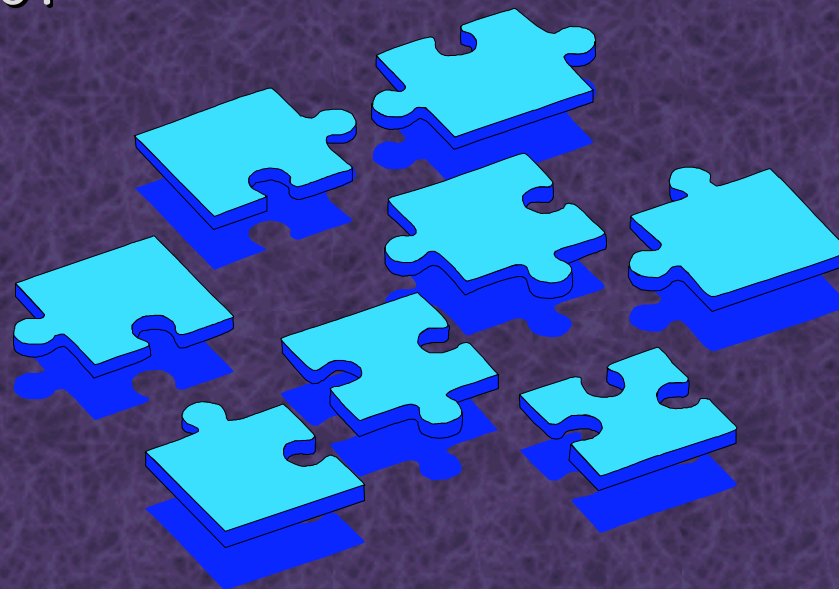
worksheet

- ▶ ideas to take home



QUIK QUIZ

- ? Use a grid card?
- ? Services beyond schedule?
- ? Merchandise?
- ? Promotion?
- ? Event market?
- ? Buy research?



What is value?

- what a willing buyer will pay to a willing seller
- mix of features/utilities the buyer desires and is willing to pay for

price is the value a
seller places on a
product or service

Perceived Value

- "There isn't much difference between our product and our competitor's, other than the perceived value." gasoline is gasoline (Getty)
- Commodity
 - ▶ a chicken is a chicken
- Differentiation
 - ▶ Perdue - the differentiated chicken

Competitive Advantage

- create competitive advantage
 - ▶ your station
 - ▶ client
- Superior value stems from
 - ▶ lower prices for equivalent benefits
 - ▶ unique benefits that offset higher price

low cost provider
differentiated

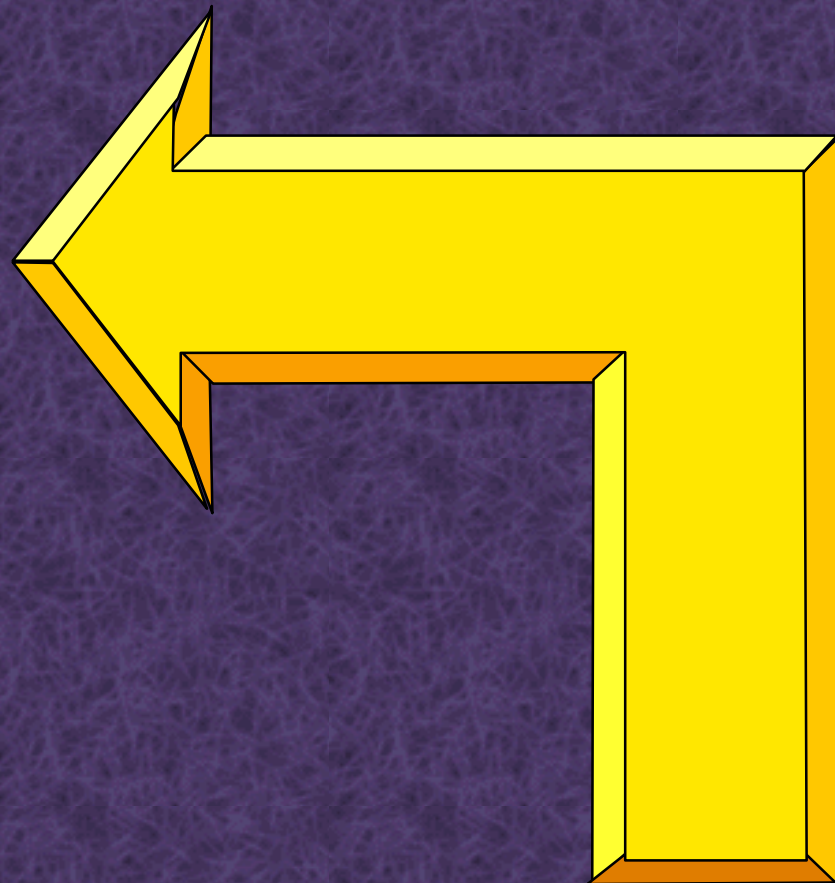
Michael Porter
Competitive Advantage

Creating Value

- Value flows from firm to consumer
- The firm's products or services give "satisfaction"
- All actions of the firm that affect the relationship with the customer count toward value
- Value is related to price, but price is only one measure of satisfaction

What is added value?

- Add value to the schedule based on the needs and desires of the advertiser. Added value = the additional amount the prospect is willing to pay.

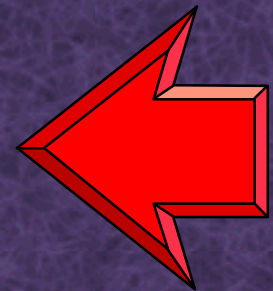


Value beyond schedule

- Advertisers, like other consumers, know value when they hear it. Value, after all, is in the ear of the beholder. Your job is to find out the desired value beyond the commercial schedule, if any.

Price - Objection

Objection to price is a very socially acceptable way for customers to reject an exchange.



Price vs. value

- Price is a perception related to value
- Focus away from unit cost and onto value
- Cost per point is not the only pricing issue; cost per sale, lead, or other pertinent criteria may likely be the real issue
- How will the client measure cost and results?

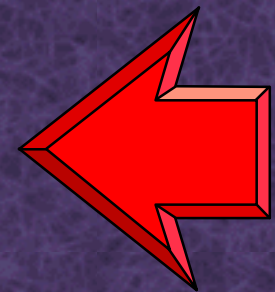
Provide value through price

- spread inventory into multiple dayparts
- spread inventory to outside prime
- unit rate discount for increased revenue
- package with other features



5 Ways to Prove Your Station's Value to Advertisers

Cost is a factor when selecting advertising media, but cost is relative to the advertiser's wants/needs/desires.



#1 Cost Analysis

- cost per point
- cost per thousand AQH
- cost per thousand net reach
- cost per listener
- cost per lead
- other

price
factor

#2 Radio = Reach & Frequency

- The advertiser wants to reach as large a group of potential consumers as possible, but
- It is imperative to reach a prospect with enough frequency to produce a result
 - must overcome advertising "clutter"
 - must become meaningful for the consumer [branding]
- Calculate reach and frequency for proposed schedules with plenty of frequency.

#3 More Coverage

- Every advertiser has a "trading area" from which comes most of the customers.
- Beyond the metro into the TSA and DMA
 - ▶ Businesses with large trading areas
 - ▶ Businesses in the metro with branch offices/stores in the TSA or DMA
 - ▶ Commuters from the TSA and DMA who work in the metro

4 Target Coverage

- Match the location of your station's audience to the advertiser's trading area.
- Determine the location of the advertiser's outlets.
- Find out the trading area by zip code for each location.
- Produce a report based on the sum of the zips using Maximiser or Mapmaker

#5 Consumer Profile Index

- Describe the consumer for an advertiser's business using Scarborough, The Media Audit, or other qualitative data source. Note the percentages by descriptor.
- Describe your station's audience based on the same parameters. Again note the percentages.
- Form an index by dividing the station's percentage by the consumer percentage. For example, airline trips 3 or more in a year has a consumer index in your market of 7%, but 10% of your station's audience takes 3 or more airline trips per year. $10\% \div 7\% = 1.43$ yields an index of 143.
- The index allows you to also state that your audience is 43% more likely to take 3 or more airline trips than the average consumer in the market. [100 is average]

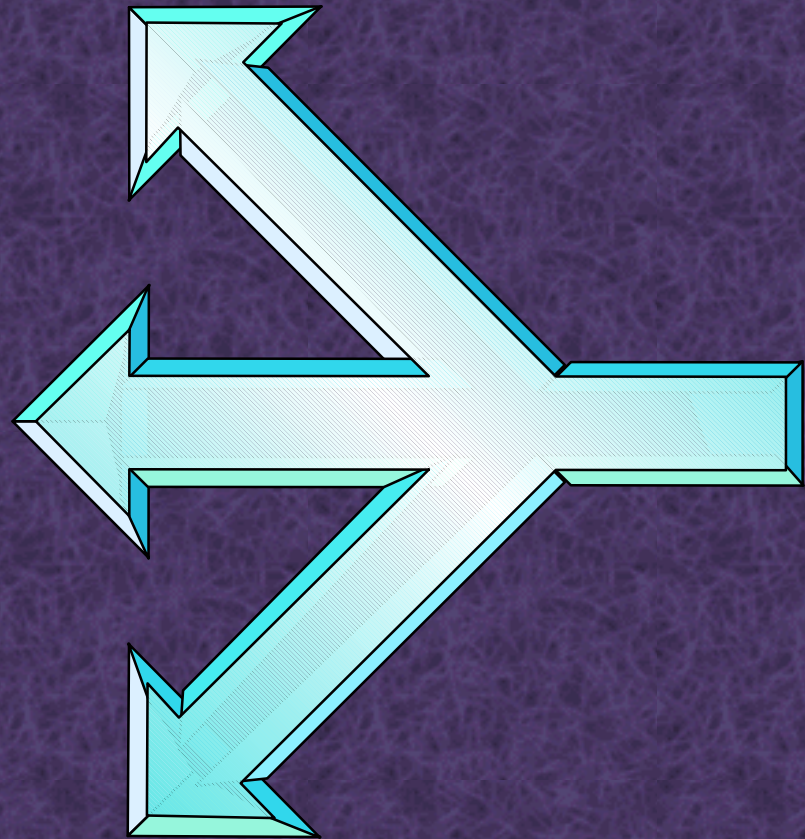
Worksheet



Ideas you can take home

What features about your radio station are important to buyers?

- demographics
- ratings
- coverage
- ad environment
- promotional tie in
- pricing policy
- personalities



Features that might be important

- number of prospects reached
- frequency of contact
- cost of contact
- flexibility of billing
 - ▶ bill immediately before or after schedule
 - ▶ notarize
 - ▶ exact times
 - ▶ invoice is copy coded

Added value for advertisers

- Sports sponsorship
- Talent endorsement
- News value
- Special services
 - ▶ weather
 - ▶ market reports
- Sales meetings
- Displays
 - ▶ counter
 - ▶ window
- Sample distribution
- Contest
- Dealer announcement

from "Practical
Radio Advertising"

1938

Win a bigger share with Value Added

- tie the commercial schedule to a promotion
- tie the commercial schedule to an event sponsorship
- provide a prize for the client's contest
- provide tickets or merchandise wanted by the client
- produce a topnotch professional radio commercial for the client

WARNING:
Value added does not mean the station absorbs the additional cost without the revenue from the schedule to cover it.

Ratings - higher, better

- big numbers are better numbers
- bigger numbers are better numbers
- better numbers [on target for the advertiser]
- numbers that differentiate
 - ▶ age composition
 - ▶ gender composition
 - ▶ Preference [impact of P1]
 - ▶ listening location

Hit the client's target

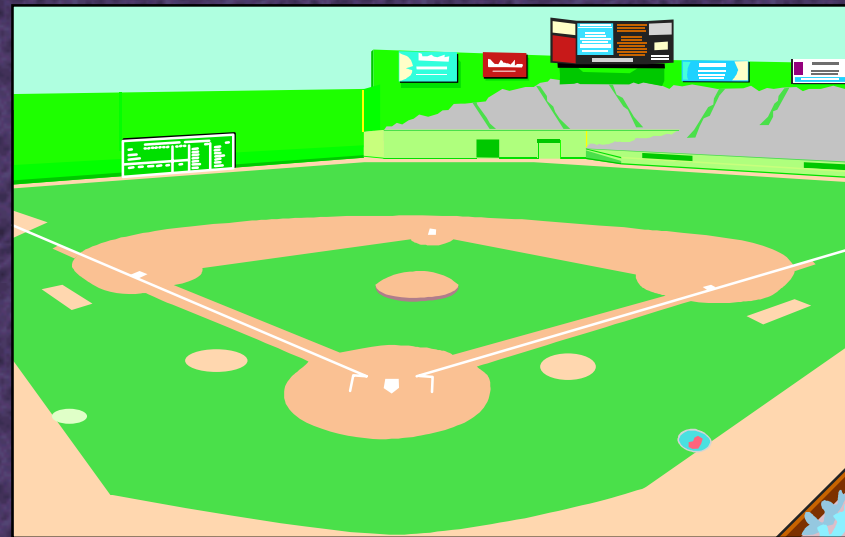
- sell the quality of the audience
- sell age - demos, median age, match to advertiser
- sell gender - who buys, who recommends
- sell purchasing power - use the purchasing power one-sheets provided by Research Director Inc.

Station personalities

- name recognition - branded portion of station
- "star power"
 - ▶ get appointment
 - ▶ schmooze
 - ▶ deliver audience
- believability / credibility of ad
- spokesperson

Station franchises

- play by play sports
- network / syndicated personalities
- special events [Bridal Fair, Fun Run, etc.]
- station heritage
- ownership
- exclusive programming or format



Station facilities

- big signal
- best signal
- AM or FM
- production studio
- convenient location of station

Salesperson adds value

- + trust
- + reliable
- + honest
- + knowledgeable
- + added service
 - ▶ writes copy
 - ▶ meets with client's sales staff
 - ▶ traffics copy for the agency



Community involvement

- tie advertiser to community - event sponsor
- talk about station as corporate citizen
 - ▶ you want to do business with good people
- document actions station has taken
 - ▶ testimonials
 - ▶ awards
 - ▶ photos
 - ▶ press coverage

Customer service

- traffic - right commercials at right time
- continuity - commercial message is right
 - ▶ for station
 - ▶ for prospect
 - ▶ entertains and informs
- make your client feel good about the decision
 - ▶ thank you note from manager with new business
- Information - next page

Be an information source

- ✓ market data
- ✓ info about radio
- ✓ info about advertising
- ✓ trends
- ✓ qualitative
- ✓ info about client's business
- ✓ copy ideas

**In God we trust:
all others need
hard data**

Value

- new ideas with which you can make money
- reaffirm ideas that already are working
- my head is stuffed with thoughts about alternatives to cutting price
- Thanks for the cume and time spent listening
- Please complete your rating sheet

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