11 - Radio’s Proximity to the Purchase

Retail PPM beacons may one day show radio’s power to drive sales. The concept of installing beacons at retail locations to demonstrate the relationship between radio advertising and retail visitation has been discussed since 2010. Now Arbitron confirms it is conducting preliminary research and development to evaluate the use of location beacons. According to sources, the hardware would transmit a signal that would be detected by PPMs when panelists visit a participating retailer’s store. Arbitron would then correlate exposure to the retailer’s radio ads with store visitation to better quantify radio’s ability to drive in-store traffic. While the beacons wouldn’t initially gauge an ad campaign’s impact on sales, they could lead to improved accountability for radio among retailers and automotive dealerships. Sources say Arbitron is working with broadcasters to line up three retailers to test the beacon technology, which is expected to be operational sometime late next year. A retail service would provide Arbitron with another way to monetize its 70,000-member national PPM panel. It would also help agencies better demonstrate return on investment to retailers for their radio campaigns. Buyers say radio’s ability to drive in-store traffic is something they’ve long accepted as one of the medium’s strengths, based on experience and instinct. But with clients scrutinizing every media dollar they spend, they’re looking for empirical proof. “To be able to measure and quantify [retail] visits as a result of exposure would greatly increase accountability,” says Jackie Davenport, director of local broadcast at The Martin Agency, whose client list includes Wal-Mart. Whether beacons would cause retailers to spend more on radio depends on what they show, Davenport says. “It’s not enough to know someone was exposed, we want to know if it had an impact,” she says. She says buyers are looking to measure whether the consumer engaged with the product as a result of advertising exposure and whether the influence can be measured based on specific goals such as sales.

• The 1994 finding from AdImpact data that “a single exposure in close proximity to purchase occasion exerts a powerful influence on sales” (Reichel and Wood, 1994) still holds true across all categories, brands, and single-source data-sets. Moreover, it is every bit as valid if the denominator is either total brand share or nonexposed brand share, and if other marketing variables are covariated out. The finding holds up particularly well when the brand definition is narrowly focused on an exact brand that is being advertised. The broader the definition of the brand, particularly within large complex brand families, the lower the “powerful influence on sales.”

• Advertising Decay

• The second generalization, the short-term effect on sales decays across time, is very intertwined with the first. The decay across time is consistently reported regardless of how the short-term measure is calculated (Jones, 1995; Longman, 1997; McDonald, 1970; Reichel and Wood, 1994; Roberts, 1999; Wood, 1990).
• **COPY—CREATIVE IMPACT**

• The third generalization is the recognition that the creative copy is the largest driver of the effect of the advertising. Powerful copy can produce dramatic effects, sometimes 10 or 20 times more effective than mediocre copy. Looking at Project Apollo data, a single brand with many subbrands is supported by different copy for each of those subbrands, over the course of the two years of the project. Each campaign will produce different levels of advertising effects. AdImpact curves for the different executions for the same brand area shown in Figure 6.
AM/FM Radio Offers The Greatest Media Proximity to Shopping Occasions

% Exposed to Given Media Within the Half Hour that Shopping Occurs
Persons 25-54

- AM/FM Radio: 18.6%
- Mobile Web/App: 6.9%
- Internet: 4.7%
- Print: 2.1%
- Live TV: 1.6%

Source: MRI Touchpoints™
The Peak Shopping Hour is Between 1-2PM

% of Adults Shopping By Time of Day
Persons 25-54

Source: MBI Touchpoints™
By Far, AM/FM Radio Is The Strongest Pre-Shopping Medium

Reach for given medium in the specified time period before peak shopping hour
Persons 25-54

Two hours before
- AM/FM Radio: 40%
- Live TV: 20%
- Internet: 15%
- Mobile Web/App: 5%
- Social Networking: 5%
- Print: 5%

6 a 7 a 8 a 9 a 10 a 11 a 12 p 1 p 2 p 3 p 4 p 5 p 6 p 7 p 8 p 9 p 10 p 11 p

Source: MBI Touchpoints™ © 2012 Arbitron Inc.
AM/FM Radio Dominates Media Exposure Before MALL or STORE Visits

Reach for given medium in the specified time period before peak shopping hour
Persons 25-54

<table>
<thead>
<tr>
<th>Time Period</th>
<th>AM/FM Radio</th>
<th>Live TV</th>
<th>Internet</th>
<th>Mobile Web/App</th>
<th>Social Networking</th>
<th>Print</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two hours before</td>
<td>37%</td>
<td>22%</td>
<td>15%</td>
<td>5%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>1 &amp; a half hour before</td>
<td>33%</td>
<td>17%</td>
<td>10%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>1 hour before</td>
<td>24%</td>
<td>12%</td>
<td>8%</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Half hour before</td>
<td>19%</td>
<td>7%</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

6a 7a 8a 9a 10a 11a 12p 1p 2p 3p 4p 5p 6p 7p 8p 9p 10p 11p

Source: MBI Touchpoints™

AM/FM Radio Tops Media Exposure Prior to GROCERY Store Visits

Reach for given medium in the specified time period before peak shopping hour
Persons 25-54

<table>
<thead>
<tr>
<th>Time Period</th>
<th>AM/FM Radio</th>
<th>Live TV</th>
<th>Internet</th>
<th>Mobile Web/App</th>
<th>Social Networking</th>
<th>Print</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two hours before</td>
<td>34%</td>
<td>20%</td>
<td>13%</td>
<td>3%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>1 &amp; a half hour before</td>
<td>32%</td>
<td>18%</td>
<td>11%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>1 hour before</td>
<td>27%</td>
<td>18%</td>
<td>9%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Half hour before</td>
<td>30%</td>
<td>4%</td>
<td>4%</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>

6a 7a 8a 9a 10a 11a 12p 1p 2p 3p 4p 5p 6p 7p 8p 9p 10p 11p

Source: MBI Touchpoints™
Radio Claims Largest Pre-Shopping Reach
by Erik Sass, Sep 21, 2012, 1:11 PM

Radio reaches the largest audience immediately before peak shopping hours, and also reaches a larger number of adults ages 25-54 than do digital competitors like the Web, social networks and mobile during an average day, according to a new study by Arbitron and MBI Touchpoints. The study, carried out in two waves from October 2010-March 2011 and August 2011-January 2012, looked at media consumption, consumer activities and related behaviors for 2,000 adults ages 18-64.

Broadcast AM/FM radio reaches 31% of adults ages 25-54 during the hour prior to the peak shopping period of 1 p.m.-2 p.m., according to the Arbitron study, titled “Where Radio Fits: Radio’s Strengths in the Media Landscape.” That’s almost twice the reach of live TV during the same period (17%).

Over the course of the whole day, radio reaches 59% of adults ages 25-54 -- second only to TV, which reaches around 80% of adults, and ahead of the Internet (49%), social networks (19%), and mobile Web and mobile apps (16%). Among audio media, radio accounts for 86% of total time spent listening by adults ages 25-54 -- around eight times the amount of time spent listening to satellite radio and 17x the amount spent listening to online radio.

Radio also expands total audience reach when combined with other media. For example, when added to TV, radio increases reach among adults ages 25-54 by 16%, and the proportion grows to 60% additional reach when radio is combined with the Internet.
Earlier this month, the Radio Advertising Bureau announced that total ad revenues increased 1% in the second quarter, to $4.3 billion. Total ad revenues were also up 1% in first half of the year, to $7.9 billion.

Per Nielsen 2009 CRE

62% of Shoppers Listened to Radio 13 Minutes Prior to Shopping

Radio Reaches the Most Consumers Right Before They Buy

% Who Used Medium Within 30 Minutes of Last Purchase

- Listen to Radio: 53%
- See advertising on a billboard: 35%
- Watch TV: 28%
- Use the Internet: 19%
- Read or look in a newspaper: 15%
- Read or look in a magazine: 12%

Base: Bought something at supermarket, department store, or any other type of store in past 24 hours

COMMENT: RADIO ENJOYS TWO KEY COMPETITIVE ADVANTAGES - TARGETING-IN-TIME AND NEARNESS TO PURCHASE OR PROPINQUITY. THE SLIDE BELOW CONFIRMS THE 2010 CRE INFORMATION WHICH SHOWS THAT RADIO EXCELS AT BOTH. A PERFECT STORM OF MESSAGE DELIVERY)
Leading into the purchase occasion, Radio reaches more shoppers than any other media

<table>
<thead>
<tr>
<th>Medium</th>
<th>% of Shoppers who engage with medium just prior to shopping occasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM/FM Radio</td>
<td>48%</td>
</tr>
<tr>
<td>Television</td>
<td>31%</td>
</tr>
<tr>
<td>Internet</td>
<td>15%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>2%</td>
</tr>
<tr>
<td>Magazines</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: 2012 USA TouchPoints; Adults 25-54, 3 hours prior to shopping event.

The following slides were derived from USA Touchpoints that confirms that Radio’s usage coincides with Pepsi shoppers much more so than TV:

   The Internet does not include email, but includes internet activity via any platform – pc, mobile, tablet.

   Mobile/Tablet includes internet/apps via the mobile device – not talking/texting.
86% of adult Pepsi drinkers listen to Radio each week

Even among younger Pepsi drinkers, Radio is the 2nd highest reaching medium

Source: 2012 USA TouchPoints
Key grocery shopping times for Pepsi drinkers

% of Pepsi Drinkers Grocery Shopping
By Half Hour (Net Mon-Sun)

Pattern of “general” shopping among Pepsi drinkers

% of Pepsi Drinkers Shopping (General)
By Half Hour (Net Mon-Sun)

Source: 2012 USA TouchPoints
TV's usage profile is skewed much toward the evening when shopping is less prevalent

Source: 2012 USA TouchPoints

Automobile usage among Pepsi drinkers peaks during prime shopping hours

Source: 2012 USA TouchPoints
Radio usage among Pepsi drinkers also peaks during prime shopping hours

% of Pepsi Drinkers Listening to AM/FM Radio
By Half Hour (Net Mon-Sun)

Pepsi drinkers’ radio usage matches their shopping pattern
...potential to influence shoppers close to point of purchase

Source: 2012 USA TouchPoints

Marketing Evolution conducted a test for McDonald’s flatbread chicken sandwich campaign measuring how different ads at different times of the day generated as much as 40% higher impact around lunch and dinner meal times versus when the exact same ads ran at different times when people were not as receptive to a chicken
sandwich. (Editorial: there is no mass medium that is as effective as radio when an advertiser wants to target-in-time)

The information below is taken from USA Touchpoints 2011 Pilot data. Radio is the #1 medium enabling an advertiser to target-in-time and to deliver a message when it can be acted upon.

Path-to-Purchase from USA TouchPoints
May 2012

The Early Afternoon Paths to Purchase

During the hour before shopping ...

Shopping 44%  Radio 34%  Digital OOH 16.4%  Live TV 15%  Internet 12.9%  Restaurant 10.6%  Mobile 5.8%  QSR 5%
Radio excels in reaching people on the go. The Council of Research Excellence published data extracted from the 2009 Video Consumer Mapping Study noting that 62% of shoppers are exposed to radio 13 minutes or less before walking into a store.

Advertising and the creative influences brand preference, but it’s a medium’s job to deliver that message in the key window of opportunity -- radio does this more effectively than any other medium. It can also deliver commercial messaging in different contexts at different moments of receptivity and to places other media simply don't go, i.e. the automobile.

2011 USA Touchpoints confirms radio’s dominance to “target-in-time”. 42% of the customers who visited McDonald’s between 8A-9A were listening to radio 30 minutes or less prior to going there. 24% were listening to radio 30 minutes or less prior to going to McDonald’s between 11:30A- 1:30P.
McDonald's Past 6 months

<table>
<thead>
<tr>
<th>At QSR between</th>
<th>Radio 1/2 hr before</th>
<th>Internet 1/2 hr before</th>
<th>Mobile 1/2 hr before</th>
<th>TV 1/2 hr before</th>
</tr>
</thead>
<tbody>
<tr>
<td>8a-8:30a</td>
<td>60.6</td>
<td>11.9</td>
<td>0.0</td>
<td>23.3</td>
</tr>
<tr>
<td>8:30a-9a</td>
<td>23.4</td>
<td>4.4</td>
<td>0.0</td>
<td>18.4</td>
</tr>
<tr>
<td><strong>8a-9a Avg</strong></td>
<td>42.0</td>
<td>8.2</td>
<td>0.0</td>
<td>20.9</td>
</tr>
<tr>
<td>11:30a-12n</td>
<td>25.9</td>
<td>12.1</td>
<td>0.0</td>
<td>6.0</td>
</tr>
<tr>
<td>12n-12:30p</td>
<td>27.3</td>
<td>9.3</td>
<td>1.9</td>
<td>5.6</td>
</tr>
<tr>
<td>12:30p-1p</td>
<td>19.3</td>
<td>3.8</td>
<td>4.9</td>
<td>5.3</td>
</tr>
<tr>
<td>1p-1:30p</td>
<td>23.3</td>
<td>8.1</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>11:30a-1:30p Avg</strong></td>
<td>24.0</td>
<td>8.3</td>
<td>2.1</td>
<td>4.6</td>
</tr>
<tr>
<td>5p-5:30p</td>
<td>23.3</td>
<td>5.9</td>
<td>8.2</td>
<td>8.6</td>
</tr>
<tr>
<td>5:30p-6p</td>
<td>11.8</td>
<td>5.7</td>
<td>3.1</td>
<td>11.1</td>
</tr>
<tr>
<td>6p-6:30p</td>
<td>36.1</td>
<td>2.2</td>
<td>8.1</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>5p-6:30p Avg</strong></td>
<td>23.7</td>
<td>4.6</td>
<td>6.5</td>
<td>8.9</td>
</tr>
</tbody>
</table>
Case Study Background

**Business challenge:**
- Although many fast food brands do use radio in their marketing plans, it is usually a secondary medium when compared to the ad spend in other major media, particularly TV.

**Research goal:**
- To provide QSR advertisers and their respective planning agencies evidence that the Radio medium absolutely be a primary medium on plans.

**USA Touchpoints application:**
- USA Touchpoints has enabled Katz to identify which medium fast food customers are exposed to prior to entering to purchase

**Results:**
- Katz has produced an analysis that will provides a concrete rationale as to why QSR marketers should have radio become a more important part of their media and marketing plans.
  - We will produce similar "media build up" analyses for other product categories such as grocery, retail, restaurants and travel.

Fast Food Facts per USA Touchpoints

**The latest estimates from USA TouchPoints**

- 47% of Americans eat at fast food restaurants in the average week
  - 13% during the typical weekday
- Top 5 QSRs: (% of adults who visit in the avg week)
  - McDonalds (33%)
  - Subway (13%)
  - Burger King (12%)
  - Wendys (11%)
  - Taco Bell (10%)
- 56% of QSR volume occurs during lunchtime hours (11am to 3pm)
- QSR visitation peaks from 12 to 1230pm on weekdays

Source: 2012 USA TouchPoints
“Lunchtime is Primetime” for QSRs
56% of daily traffic occurs from 11am to 3pm
….while peaking at 12:30pm

Key marketing question:
What media are QSR patrons engaging with in the hours leading into the actual purchase?
Let’s follow the “Noon to 1230” lunch crowd.

Source: 2012 USA TouchPoints

What media have Lunchtime QSR Patrons engaged with prior to their visit?

Build-up of Media Prior to QSR Visitation
Lunch Patrons (12-12:30pm, Avg Weekday)

Source: 2012 USA TouchPoints
Only 9% of these QSR Patrons read any Newspapers prior to their lunch purchase.

Build-up of Media Prior to QSR Visitation
Lunch Patrons (12-12:30pm, Avg Weekday)

21% of these QSR Patrons will use the Internet in the hours leading into their 12:30 lunch purchase.

Build-up of Media Prior to QSR Visitation
Lunch Patrons (12-12:30pm, Avg Weekday)
The majority of QSR patrons do not watch Television prior to their lunch purchase that day. …of the 41% that do watch TV, most do so before 9am.

Proximity to the Purchase!
60% of Lunchtime QSR Patrons have been engaging with AM/FM Radio prior to their visit!
Proximity to the Purchase!

In fact, more QSR patrons engage with AM/FM Radio before lunch than the other 4 media combined.

![Graph showing media engagement build-up prior to QSR visits.](image)

Source: 2012 USA TouchPoints

Media Definitions

**AM/FM Radio**
- Does not include Streaming

**Television**
- Watching live or DVR
- Network TV
- Cable TV
- Premium Channels

**Newspapers**
- Via print copy
- Via PC
- Via mobile
- Via tablet
- Via eReader

**Magazines**
- Via print copy
- Via PC
- Via mobile
- Via tablet
- Via eReader

**Internet** (does not include email, apps or software programs)
- **Via PC**
  - Apparel and beauty
  - Banking (e.g., paying bills online)
  - Coupons and rewards
  - Food and cooking
  - Home and garden
  - Music, radio or podcasts
  - Reading books, newspapers or magazines online
  - Social networking
  - Watching full TV episodes

- **Via Mobile**
  - Auction (e.g., eBay)
  - Chatting
  - Online games
  - Kids, games and toys
  - News
  - Social networking
  - Sports event
  - Watching movies (e.g., Netflix)
  - Weather
  - Adult entertainment

- **Via Tablet**
  - Computer and consumer electronics
  - Investments and insurance
  - Maps and travel information
  - Portals (e.g., AOL, Yahoo!)
  - Search
  - Shopping
  - Travel planning
  - Watching short video clips
Close to 60% of people who visited a fast food restaurant between the hours of 11AM-3PM when 56% of the daily fast food business is done were exposed to radio during that period, thus giving an advertiser the opportunity to influence choice of restaurant. Compare this to only 23% for TV and 19% for the internet. In fact, Radio reaches more fast food customers than all other media combined during this crucial period.

"Lunchtime is Primetime" for QSRs
Over half of daily traffic occurs from 11am to 3pm
….and Radio dominates during this time period

- On average, 12.3 million customers order from fast food restaurants during the 11a to 3p time period
- Represents 56% of all daily volume (traffic)

Source: 2012 USA TouchPoints
"The Right Place at the Right Time" – A Real Benefit for Advertisers

- **90%** of purchasing decisions are made the day of the purchase, **70%** just prior to the purchase
- **82%** of all shopping trips are unplanned shopping – no one knows what’s for dinner until they’re on the way home
- **72%** of drivers frequently or sometimes shop on their way home from work
- **95%** of working people listen to the radio during the day and/or in their cars on the way home each week
- More people are likely to be exposed to radio prior to shopping than to any other medium
- Radio is the highest ranking out-of-home medium

Radio gets your message across when the timing is right – just before people decide what to buy or where to shop.

Radio Is There When People Are Most Likely To Go Shopping


Source: Media Behavior Institute: USA TouchPoints 2011
Reaches people when and where decisions are being made. 2011 CIMM data collaborates - reaches more people in more locations outside the home:

Radio Reaches More Consumers In More Locations
Huge Radio Advantage - exposure when they can do something about it

% of Weekday Locations

- Someone else's workplace
- School or college
- Outdoors away from home
- Restaurant or bar
- Quick service restaurant
- Grocery store
- Other place
- Someone else's home
- Other store or mall
- My workplace
- Car or other traveling

A18-49
Radio Is The Highest Ranking Out Of Home Medium

% of Weekday Locations While Using Media

This is also confirmed by Arbitron’s 2011 In-Car study:
Radio Reaches the Most Consumers Right Before They Buy

% Who Used Medium Within 30 Minutes of Last Purchase

- Listen to Radio: 53%
- See advertising on a billboard: 35%
- Watch TV: 28%
- Use the Internet: 19%
- Read or look in a newspaper: 15%
- Read or look in a magazine: 12%

Base: Bought something at supermarket, department store, or any other type of store in past 24 hours

The 2009 Arbitron In-Car Study also illustrated that purchase decisions are made while people are utilizing their automobiles. 68% of consumers say they frequently or sometimes make shopping decisions while driving. Radio reaches the consumer when they are not only receptive to messaging but also when they have the ability to immediately act upon that messaging.
Radio reaches people in the car when purchasing decisions are being made

Radio is the next best thing to in-store advertising for last chance opportunity to reach consumers

Source: Arbitron In-Car Study, 2009.
A consumer’s mindset at the time of exposure is key to the message’s effectiveness. Radio does a better job of providing a receptive mindset than any other medium. People are more receptive to advertising when they are in the proper frame of mind and the latest CIMM information confirms that radio is among the most effective mediums reaching people when they are most receptive to advertising. When people are relaxed and in a good mood and not task oriented, they are more open to commercial messages and being influenced.

"Happy" audiences flock to Radio

% Happy
Total Day A18-49

[Graph showing % Happy for various media types, including TV, Radio, Mobile, Books, Magazines online, E-books, Newspapers, Games, Magazines, Internet via pc, and Newspapers online.]
Audiences start their days “Happy” with Radio

Radio keeps “Happy” audiences throughout the afternoons
Audiences are “Confident” while listening to Radio

Weekday mornings the “Confident” turn to Radio
“Confident” audiences stick with Radio in the afternoons

Radio attracts “Excited” audiences
“Excited” audiences look to Radio for afternoon doldrums days

Overall weekday afternoon Radio listeners are in a “Good Mood”