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Exclusive: The Inside Story on Radio's Hottest Ad Category.

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Standard Media index

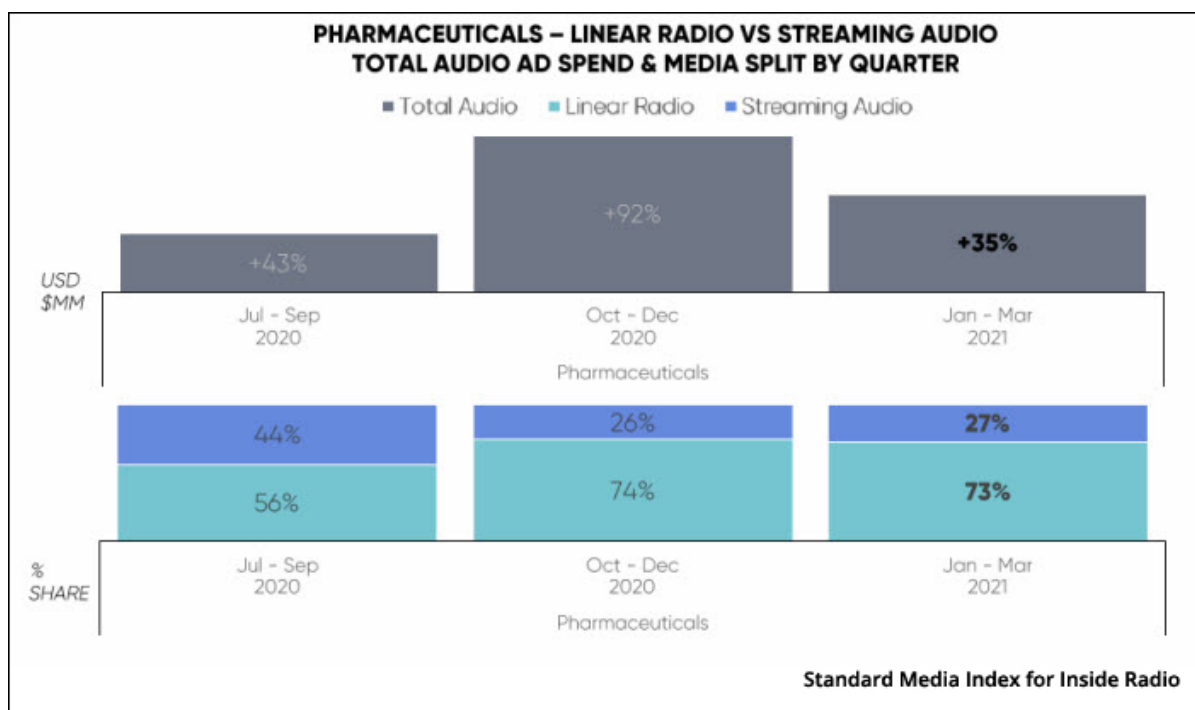
Pharmaceutical has emerged as one of radio's hottest growth categories despite – or perhaps because of – the pandemic. The sector has boosted its total audio ad expenditure by double-digit percentages in each of the last three quarters by sometimes staggering sums, according to actual spending figures compiled by Standard Media Index exclusively for **Inside Radio**.

The percentage gains reflects network and national audio ad spend based on SMI's core database, which accesses actual spend from the world's largest media agency buying groups and independents and reflects \$90 billion in ad spending across all media types.



After a 43% year-over-year increase in third quarter 2020, pharma spending nearly doubled in fourth quarter 2020 and then rose 35% in first quarter 2021 compared to the same period in 2020. "The bulk of spending is a legacy play," says SMI Director of Advertising Insights Nicole McCurnin. "There has been continuing strong growth with linear radio representing about 70% in back-to-back quarters in terms of where those [audio] dollars are falling."

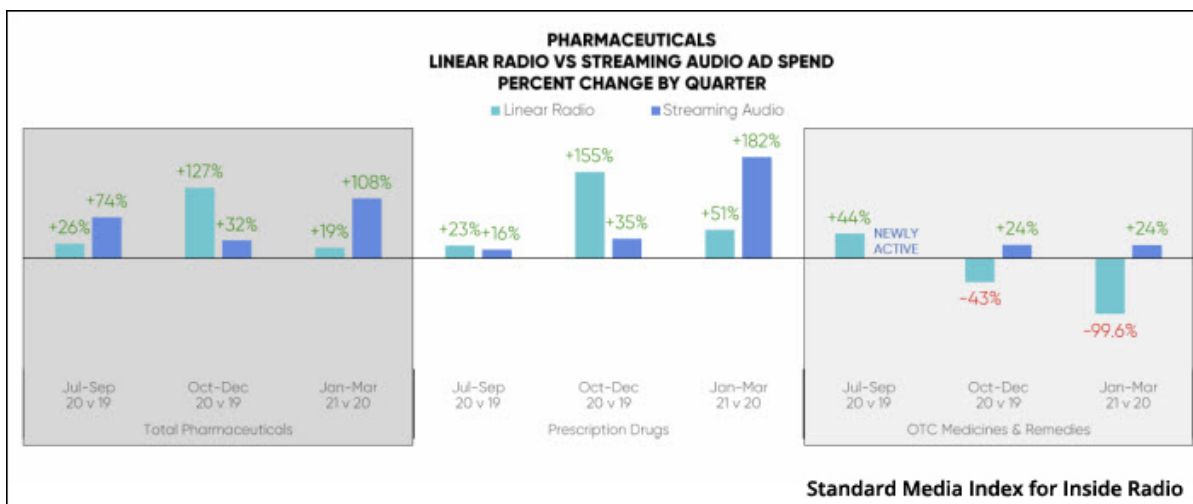
After a 56% to 44% broadcast-to-streaming split in Q3 2020, there was a dramatic shift in share to AM/FM in Q4 2020 that has persisted into 2021. Broadcast radio captured 73% of pharma's audio investment in Q1 2021, compared to 27% for streaming audio which includes pureplay audio/music streamers, the digital streaming arms of broadcast radio, and select podcasters.



Prescription drug manufacturers are driving this huge growth, accounting for 93% of the category's total audio spend in first quarter 2021. Over-the-counter (OTC) medications are a far smaller piece of the pie, although they have become more active in the streaming audio space.

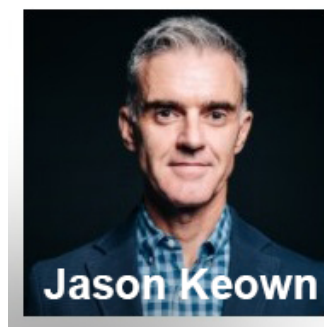
"It was interesting to see how much of a cross-channel push [pharmaceutical marketers] were doing even during COVID," says McCurnin, who spent eight years with ad agency Havas Media Group before joining SMI last August. While several categories were pulling back last year, pharma kept its marketing message front and center. "There's been a lot of push for top of mind awareness, given this medical discussion that's been happening," she adds. "Across the board, they've been doing a strong push in terms of messaging across several channels and it doesn't seem to be letting up."

The fourth quarter increase was nothing short of staggering. Prescription drug makers tripled their broadcast radio ad spend and boosted their streaming audio outlay by 35%, year-over-year, in fourth quarter. By first quarter the growth trend tilted far more to streaming audio, up a staggering 182% while broadcast radio grew by 55%.

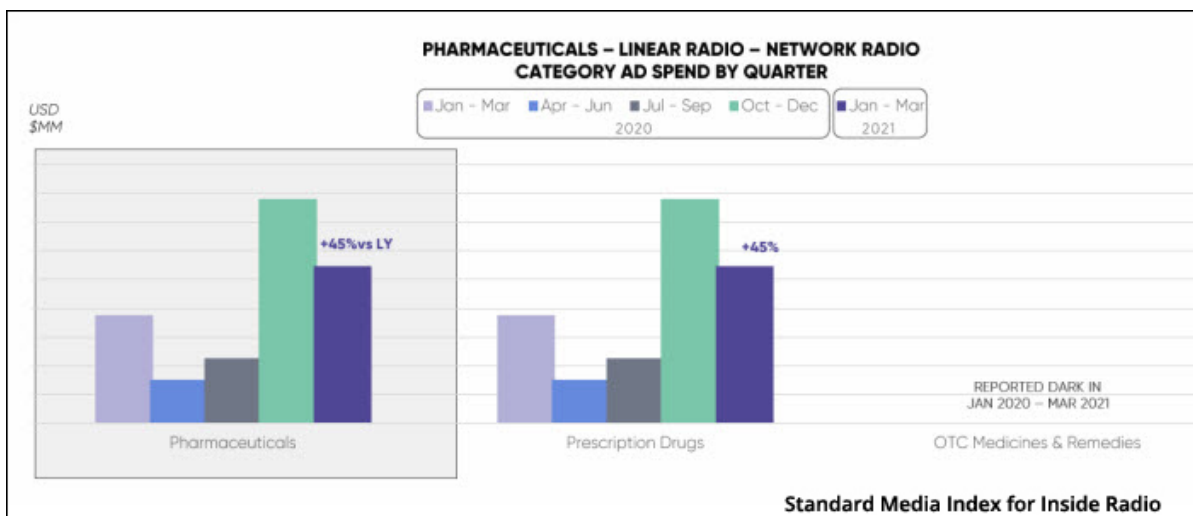


“The marketers are leaning into the opportunity, using radio to drive their own revenue,” says SMI Senior VP of Marketing Jason Keown.

While prescription drug spending is on fire, the narrative for over-the-counter medications is more about untapped opportunity than unbridled growth. OTC manufacturers ramped up streaming audio investment while pulling back on broadcast radio. But that is likely to change as pollen season shifts into overdrive and the common cold and flu – which all but disappeared due to mask wearing and other safeguards taken to reduce the spread of COVID – make their unwelcome return. “With peak allergy season, OTC is going to be pushing into that for the allergy sufferers,” says McCurnin.



During the past five quarters, SMI data show prescription drug makers’ investment in network radio peaked in fourth quarter at a new high after what has typically been a more level spend across the year in prior periods.



“Some of what you’re seeing in Q4 is marketers getting back into the market with pent-up advertising budgets that they weren’t spending in Q2 and Q3 because they weren’t sure what closures were happening or when COVID was going to get out of the way,” says Keown.

This year, ad spending by prescription drug makers at network radio is up 45% in first quarter and up 17% for national spot radio. “We know that is one that’s going to continue to grow,” says Keown. – Paul Heine