

Mary Berner Says WARC Study Could Help Narrow Audio Spending Gap.

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A recent report by respected research firm WARC that found audio captures 31% of media consumption but just 9% of ad spend has been called a “milestone study.” But will it help narrow the spending gap? The question was posed to Cumulus Media CEO Mary Berner by analyst Aaron Watts at Deutsche Bank’s 29th Annual Leveraged Finance Conference on Wednesday. Watts wondered whether the finding will resonate with advertisers and agencies. “Will the wallet share, follow the data and the listeners?” he asked.

"We believe it will," Berner responded. "Audio listening is at an all-time high. And we participate in the parts of the audio ecosystem that provide a really unique combination of massive reach and efficiency as well as deep engagement. And that does resonate on Madison Avenue."

Berner argued that broadcast radio and podcasts drive "a deep level of listener engagement and connection" that pureplay music streamers aren't able to deliver. She pointed to the well-known example of Procter & Gamble as a marketer that, after over-investing in digital, shifted some dollars back into radio because its marketing data and analytics showed the strong efficacy of the medium.

"Advertisers are rediscovering the value of audio more broadly, and radio more specifically," she continued. "We're seeing it all across our business." As agencies and advertisers continue to absorb the WARC study findings, Berner said she expects "that gap will narrow."

The major thrust of her presentation at the conference was about how the company is transitioning from a one-dimensional, radio-first model to a multi-dimensional, audio-first media company – and why that positions the company for growth. While some have expressed concerns that digital growth comes at the expense of legacy radio stations, Berner disagreed, claiming the two are actually quite complementary.

"We're seeing more and more clients come in through digital only, and then they buy radio, generally the higher price point as time goes on," she said. For example, a national auto aftermarket client that was buying podcast advertising from Cumulus added radio to their campaign and increased their total spend with the company by nearly 60% over the prior year. A local financial services company that was only using the company's digital marketing services added a radio campaign, which doubled their year-over-year ad spend.

This cross-selling strategy works both ways, Berner said. A long time national insurance client added a podcast to its buy, which upped their year-over-year spending by 45%. "The addition of the digital products is really just opening up our total addressable market," Berner explained, from the \$14 billion legacy radio ad market to a much larger pool of available dollars that she pegged at \$30 billion.

"This expanded product offering has allowed us to grow and increase our revenue and share of media spend with current clients and attract new ones," she said, singling out a national sports betting company that hadn't advertised with the company before but recently made "a substantial multi-million dollar commitment." Berner didn't name the sports betting company. But when Cumulus announced a multi-year, multi-platform partnership with WynnBet in July, it said the deal made the sports betting app one of its largest advertising and marketing clients.

Watts noted that while Cumulus posted healthy revenue gains in the first two quarters, when compared to pandemic-impacted 2020, its topline is still down a fair amount compared to 2019. He asked Berner when she expected that to recover to pre-pandemic levels. The CEO cited several drivers that could help, with the recovery of the auto, entertainment and restaurant categories chief among them. All three "are still experiencing substantial business disruption," she noted, and it's taking "a lot longer than they – and we – would have liked" to bounce back. In addition, corporate return to work schedules delayed by the spread of the Delta variant and "all over the place school schedules that have kept some parents at home" are factors that continue to impact overall drive time listening levels, Berner added.

A third contributor is the upside Cumulus is realizing from playing in a larger audio ecosystem that includes podcasting and streaming in addition to broadcast. Finally, the company's digital marketing services unit "has a lot of room to run," she added. "When we put it all together, the opportunity for continued revenue growth and recovery is there." But Berner said it would be premature to put a specific timeframe on when the company's revenue will return to pre-pandemic levels.