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Why An Economic Headwind Could Work In Radio's Favor.

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Growing fears about the coronavirus are stoking chatter about a potential recession. "A 'short sharp global recession is starting to look inevitable,'" according to a Tuesday headline on CNN Business. How would an economic downturn impact the radio/audio business? "None of us are saying it would be

good to have a recession," iHeartMedia COO and CFO Rich Bressler told an investor conference. But "a little bit of headwind" could actually work in radio's favor, he said.

Speaking at Deutsche Bank's 28th Annual Media, Internet & Telecom Conference, which was supposed to take place in Palm Beach, FL, but morphed into a virtual event amid coronavirus fears, Bressler explained his rationale with a bit of media biz history. Cable TV didn't begin to siphon significant ad dollars away from broadcast TV networks until the recession of 1987-1988, he noted. In the same vein, Google and Facebook took off, from an advertiser standpoint, during the financial meltdown of 2007-2008. In both cases, the downturn forced advertisers to reexamine their media mix and reallocate dollars. "It often takes events in the world for people to look at their media models to make changes," Bressler explained. "A little bit of headwind, forcing people to look at their media mix models is a good thing for us and I think you're starting to see it manifest itself in the numbers."

Keeping with the headwind/tailwind theme, Bressler said iHeart began to feel a "little breeze" at its back in 2019 and that's "turning into a wind at our backs" as advertisers rediscover the value of radio advertising. He pointed to three major trends that are putting radio back in vogue with the ad buying community. No. 1 is explosive growth in podcasting. "Every one of our 60,000 advertisers, whether it's Procter & Gamble or the smallest pizza parlor, everybody wants to talk about podcasting," Bressler said. "It's really raised the specter of audio and the effectiveness of audio." No. 2 is the growing adoption of smart speakers. "AM/FM radio is the No. 1 use case on smart speakers which most people don't realize," he added. "It's really enhanced, brought back to some extent, radio in the home." No. 3 is the decline of TV viewership and the rise in the number of light TV viewers. Light and non-TV viewers represent a large percentage (44%) of the 18-49 year-old TV audience but represent only a small percentage of TV time spent and commercial impressions (9%), according to a 2018 study from Nielsen and Westwood One. "You take the combination of those three factors, that's what's brought us back from an advertising standpoint. It's gotten people to look at us more broadly - a more broad set of advertisers," said Bressler.

Meanwhile, the lines between media channels are blurring and media planners are looking beyond silos to buy advertising more holistically. That's a positive for radio, Chairman and CEO Bob Pittman said. "Technology is allowing the advertiser and the agencies to begin to plan across all media as opposed to planning in silos. That's very good for us because we over-deliver." Radio has the lowest cost per thousand impressions (CPMs) of the major media, yet delivers a larger audience. The impact it produces is seen as comparable to that of TV but at one third the CPMs paid for TV, Pittman explained.

With the radio/audio industry billing about \$17 billion annually, TV pulling in \$50 billion and digital approaching \$100 billion, iHeart's strategy is to increase its share of radio ad dollars while targeting what Pittman called "TV replacement" dollars - ad funds being reallocated to "fill in the holes" from eroding TV viewership. To steal dollars from digital, the company has invested in its Smart Audio product to provide the analytics and attribution metrics advertisers are accustomed to getting from the digital players. "We're changing how we're selling for those players that are demanding that in order to adopt us," Pittman said.

In today's environment, media execs are being asked how the coronavirus is impacting their business. Pittman said it's had no effect on iHeart because it operates exclusively in the U.S. but the company is monitoring the situation very closely. "We are a business that is about companionship, so in times of need like this, [people] are hanging out with us more and they are looking to us for information. We are not in the business of providing entertainment programs. We are in the business of providing companionship. We keep people company."