



Major new study
Profit Ability 2: The
Business Case for
Advertising

Profit Ability 2

The New Business Case for Advertising

thinkbox[®]



ebiquity

essence**mediacom**

GAIN
THEORY

MINDSHARE

Wavemaker

It's been 7 years since the original Profit Ability study



First of its kind meta-analysis of econometric benchmarks to understand the short- and long-term payback of advertising to a business' profit

But it's fair to say a few things have happened since then

Explosion in connectivity

Rise of the streamers

Privacy winning out in how we leverage data

Disruption to business supply chains

New distribution channels opening up (and some traditional ones closing)

A pandemic

To create the ultimate media effectiveness databank

5

Agencies

141

Brands

£1.8bn

Media spend
analysed (2021-2023)*

14

Sectors**

10

Media channels

53

Brands matched
pre & post Covid

What's included in each channel

Audio: All forms of audio advertising including linear radio, digital radio & podcasts.

BVOD: Video on Demand on broadcaster platforms

Cinema: On screen advertising in cinemas

Generic PPC: Pay per click search advertising on non-branded keywords

Linear TV: Broadcast TV advertising

Online Display: All formats of display advertising

Online Video: All formats of online video pre/mid/post roll including YouTube

Out of Home: Digital and static posters in all environments

Paid Social: All advertising within social platforms including in-feed video

Print: All advertising within newspapers & magazines. Digital spend with newsbrands etc. included in Online Display

The 24%-18%-58% rule: Marketing effects take place over an extended period of time

% of advertising driven profit volume (full effect)

24%

Week 1

18%

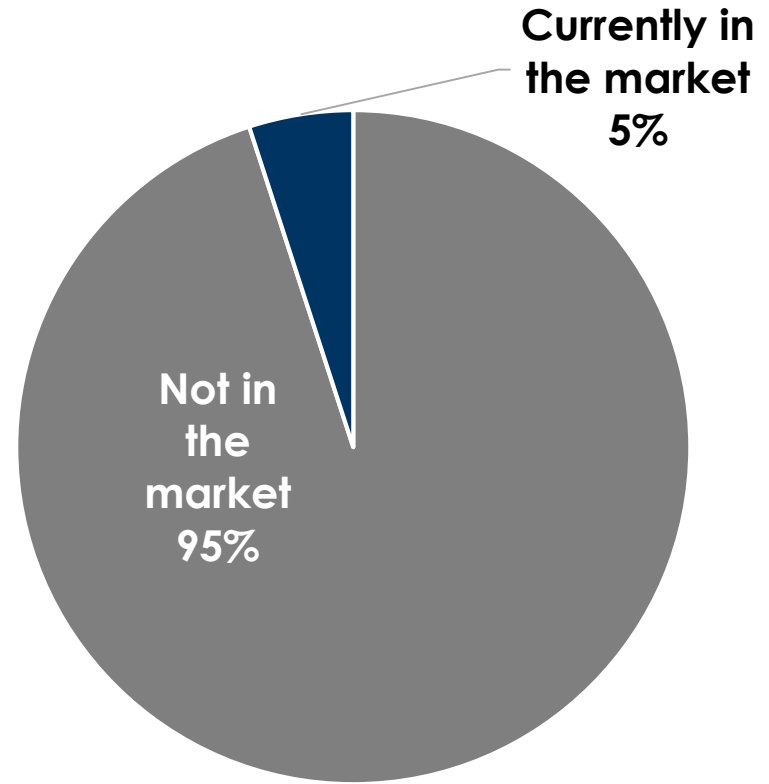
Weeks
2-13

58%

Week 14-year 2

Nearly 60% of advertising's overall contribution to profit occurs over the long term (week 14 to two years)

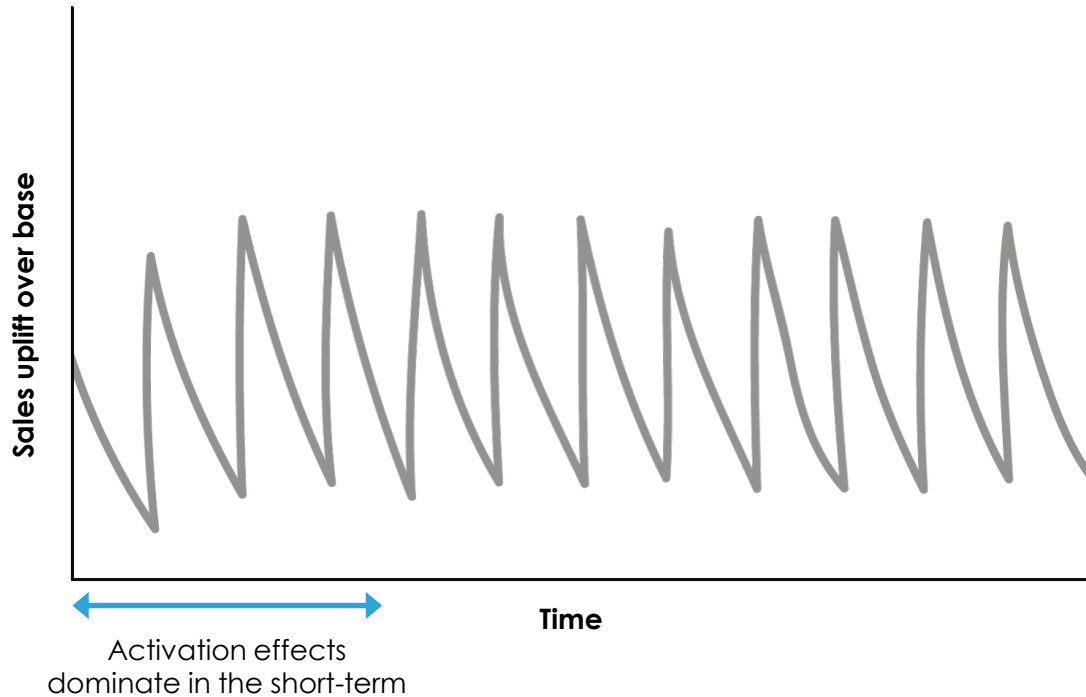
The 95/5 rule: Only a small number of people are in the market at any point in time



Marketing has two equally important jobs

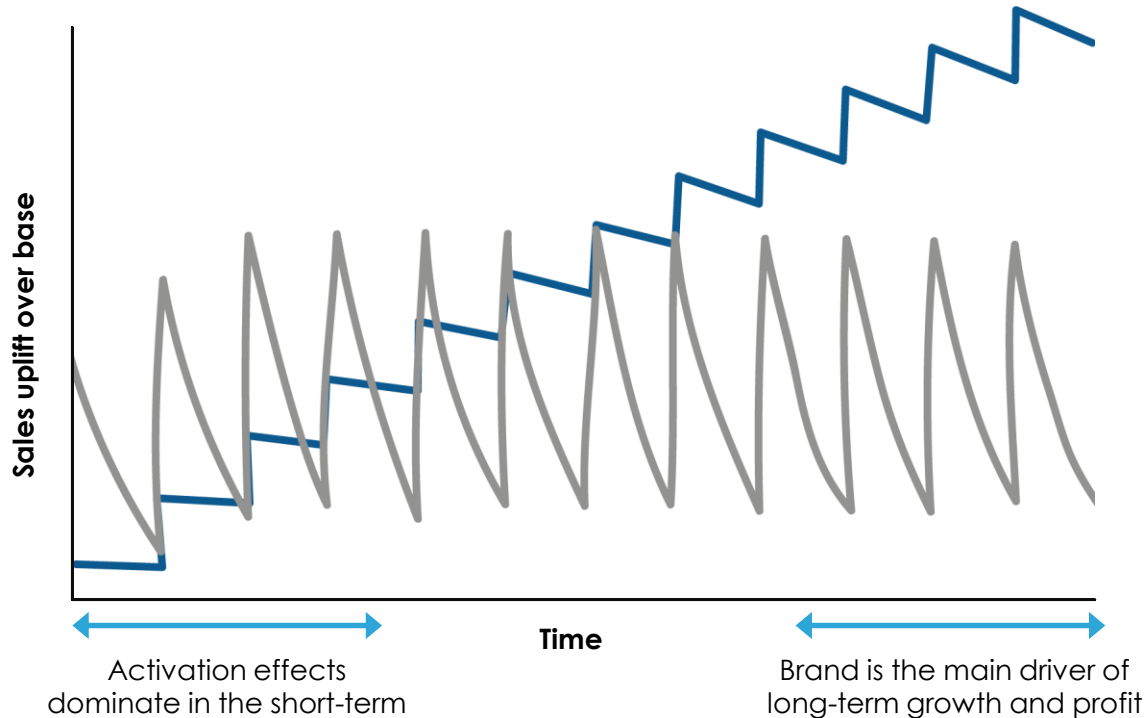
Convert existing demand Target the 5%	Create future demand Target the 95%
Create a lead	Create a memory
Generates sales now	Influences future sales
Tightly targeted	Broad reach
Short term	Long term
Persuasive messages	Positive emotions

Converting existing demand generates short-term sales uplift



Converting existing demand/short-term sales lift
Short-term sales uplifts, but brand perceptions unchanged. No long-term increase in sales. Converting existing demand via sales events is the “carbohydrate” of advertising.

Creating future demand steadily builds sales over time



Creating future demand/ long-term sales growth

Brand grows stronger, leading to long-term volume increase and reduced price sensitivity. Creating future demand via the “protein” of advertising.

Converting existing demand/short-term sales lift

Short-term sales uplifts, but brand perceptions unchanged. No long-term increase in sales. Converting existing demand via sales events is the “carbohydrate” of advertising.

Advertising generates profit in the short term and the long term

Short term: Within one
to thirteen weeks, one
dollar of advertising
generates

\$2.36

of profit

Over the long term, from
one week to two years,
one dollar of advertising
generates

\$5.19

of profit

Audio is #2 in short-term ROI and #3 in long-term ROI

Media	Short-term ROI: 1-13 weeks
Print	\$3.46
Audio	\$3.12
Generic PPC	\$2.89
Linear TV	\$2.30
Online video	\$2.22
Broadcast video on demand	\$2.10
Paid social	\$2.05
Online display	\$1.90
Out of home	\$1.50
Cinema	\$1.50

Media	Full ROI: 1 week to 2 years
Print	\$8.04
Linear TV	\$7.51
Audio	\$6.29
Broadcast video on demand	\$5.37
Online video	\$4.88
Generic PPC	\$4.45
Paid social	\$4.04
Out of home	\$3.51
Cinema	\$3.24
Online display	\$2.96

Audio is #3 in conversion of investment to profit generated

Media	Ratio: Share of profit generated divided by share of media investment
Print	142
Linear TV	133
Audio	112
Broadcast video on demand	94
Online video	87
Generic PPC	77
Paid social	72
Out of home	62
Cinema	58
Online display	53

Audio punches above its weight: At 1% of the media budget, audio represents 1.12% of the profits generated

At 1% of the media budget, paid social represents .72% of profits generated

Audio profit payoff occurs equally in the short and long term

Media	% of short term profits (weeks 1-13)	% of long term profits (weeks 14 – 2 years)
Linear TV	31%	69%
Broadcast video on demand	39%	59%
Print	43%	57%
Out of home	43%	57%
Online video	45%	55%
Cinema	46%	54%
Audio	50%	50%
Paid social	51%	49%
Online display	64%	36%
Generic PPC	65%	35%

Source: Profit Ability 2, April 2024 – Short term benchmarks: Ebiquity, EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. Long Term Multipliers: EssenceMediacom, Gain Theory, Mindshare, Wavemaker UK. ROI in British pounds converted to U.S. \$ as of April 27, 2024

Key findings

- The just released *Profit Ability 2: The New Business Case for Advertising* study reveals nearly 60% of advertising profit effect occurs between fourteen weeks and two years.
- The 24%-18%-58% rule: 24% of advertising pays back in the same week. 18% of advertising profit impact occurs between week two and week thirteen. 58% of advertising return occurs between week fourteen and two years.
- Advertising impact occurs over an extended period of time because very few people are in the market in the next three months.
- Overall, a dollar of advertising generates \$5.19 of profit (all media over two-year period). In the short term, one to thirteen weeks, advertising generates \$2.36 of profit.

Key findings: Strong story for audio

- A dollar invested in audio (AM/FM radio, podcasts, or streaming), will generate \$3.12 of profit within one to thirteen weeks. Over the entire two-year period (one week to two years), a dollar invested in audio will return a total of \$6.29 of profit.
- Of ten media, audio ranks second in short-term ROI and third in overall ROI, beating all digital platforms.
- Audio is #3 in conversion of investment to profit generated, beating all digital platforms. Audio punches above its weight. At 1% of the media budget, audio generates 1.12% of the profits generated.
- Audio profit payoff occurs equally in the short and long term.



Full-service advisory for national brands offering media planning recommendations, creative best practices, and measurement services

The **Cumulus Media | Westwood One Audio Active Group®** is a true comprehensive marketing advisory that partners with clients to measure the impact of the **entire** audio campaign (not just the Cumulus Media | Westwood One investment), specializing in the following areas:

- **Audio creative best practices**
- **Media planning**
- **Strategic allocation within audio**
- **Measure the impact of the entire audio investment**

For more, please visit the Cumulus Media | Westwood One Audio Active Group® blog

CumulusMedia.com



Click '**Blog**' at the bottom of the homepage

WestwoodOne.com/blog



Or click '**BLOG**' at the bottom of the homepage



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