What reps are selling is not necessarily what clients are buying

By Stan Katz

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Everybody in the media industry is weeping, wailing and gnashing their teeth about how tough times are. There's no getting away from that, but I'm sad to say that part of the problem is the way in which media is being sold. After 40 years in the business, I will confine my comments to the radio industry.

Radio reps go to great pains to explain the what and the why of radio, for example that radio can sell anything, radio is intrusive, radio offers immediacy, relevance etc, etc; *ad nauseum*. Then they offer "added value" which is, in reality, a massive discount on an already inflated rate card. Or they offer the latest package, which is a discount off an inflated rate card.

Demand goes up, price goes up

Radio has become so expensive to buy that it's gone and put itself in contention with TV. Morning drive spots go for as much as R13K to R16K for 30 seconds.

I can't argue about price, having introduced the pricing model myself in the late '80s. Radio - like hotel bed-nights, airline seats and car rentals - is a fixed inventory organisation. Supply is fixed and the only variable is demand. Demand goes up, price goes up.

In theory, radio stations can simply add more inventory (spots), but in reality there is a limit to how many spots listeners will tolerate. So the only variable under the control of the radio station is price. Fair enough. But when I question radio reps on what they're selling, the better ones tell me "solutions". OK, at least they know they're not selling spots. Those who are selling spots are simply commoditising their airtime by selling purely on price.

The disconnect

Here's where the disconnect comes in. What the average rep is selling is not what the client is buying. The client is buying a *measurable return on investment*.

Show the client how many new customers he needs in order to break even on his investment and then extrapolate what each additional customer is worth. If you know what the client's closing ratio is, that is, of all the prospective customers that enter his store only a certain percentage will buy. You can even demonstrate the sales value of people who don't buy and the cash value of those who do buy.

I have used this method successfully for many years and now I teach it. Those who get it are seeing instant results.

ABOUT STAN KATZ

Stan Katz has been a radiohead since 1973. He is still loving radio and still learning about it. He is now consulting to radio stations internationally, blogging and tweeting and having a ball. Follow @stanbkatz on Twitter.

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