



## SOUTHERN CALIFORNIA BROADCASTERS ASSOCIATION

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# The SCBA Quarterly Market Guidance Report For Q3 2014

The following **Southern California Broadcasters Association Quarterly Market Guidance Report** is a service for clients, advertising agencies, and media buying services that are planning to buy Southern California Radio advertising in **the third quarter of 2014**. The report looks primarily at the upcoming quarter and provides critical insight into the regional economy, Radio trends worth noting, competitive trends worth noting, advertising category trends, as well as additional market-driven insight from our member stations management.

### **Southern California's Economic Overview**

We begin the 2014 third quarter report with an in-depth look at the region's economy and its impact on advertisers, consumers, and the business environment of Southern California over the next 90 day planning period beginning July 1 through September 30, 2014. Our report commences with key economic indicators from the Los Angeles Economic Development Corporation which was released on May 19 and reflects activity for April 2014.

According to the Employment Development Department, here are the unemployment rates for Southern California's largest counties in April 2014. Los Angeles County unemployment figures are seasonally adjusted; other counties are not.

- For Los Angeles County, the unemployment rate fell to 8.3%, down from 10.0% on a YTD basis. Total non-farm jobs increased by 91,300 on a YTD basis.
- For Orange County, the unemployment rate fell to 5.0%, down from 5.8% on a YTD basis. Non-farm jobs increased by 26,900 on a YTD basis.
- For Riverside-San-Bernardino, the unemployment rate fell to 8.3%, down from 9.4% on a YTD basis. Non-farm jobs increased by 29,600 on a YTD basis.
- For San Diego County, the unemployment rate fell to 6.0%, down from 7.2% on a YTD basis. Non-farm jobs increased by 29,000 on a YTD basis.
- For Ventura County, the unemployment rate fell to 6.1%, down from 7.8% on a YTD basis. Non-farm jobs increased by 5,800 on a YTD basis.

"Full time hiring is at the best level we have seen in six years," said Brandi Britton, District President of Southern California for Robert Half International of Menlo Park. She said hiring was strong in real estate, financial services, and e-commerce firms.

All this job growth indicates a recovering economy and a considerable improvement in hiring on a YTD basis in the major population areas of Southern California, all of which point to increasing consumer demand for goods and services in our region. We expect this trend to continue well into Q3 and Q4.

## **Southern California Home Sales and Median Prices in April**

Southern California home sales increased from March to April by 13.4%, one of the highest percentage increases in the March-April time frame since 1988. The median price across the region increased by 13.2% to \$404,000. Home prices continue to climb higher, but at a slower pace as the result of less inventory and affordability constraints. Typical mortgage payments for Southern California buyers were \$1,607 in April, up from \$1,591 in March 2014.

Early indications from the Realtor Association of America would indicate this trend will remain as is for Q3, if not slightly downward, with two 3-day holidays falling in Q3 which are July 4<sup>th</sup> and Labor Day. Both are traditionally slow times for the real estate markets.

## **Apartment Construction is Surging in Southern California**

Building permits were issued for nearly 17,000 units in apartments and condo building in Southern California in 2013. This was the most recorded permits issued since 2006. Solid employment numbers and a tighter home buying market are the primary reasons for this stunning growth in rental units.

## **Southern California's Major Development Projects**

The region's largest construction projects are now fully funded and in development.

Aria, a \$74 million, 198-unit apartment complex is under construction across from Cerritos Towne Center Mall. This is the first large multi-family project built in Cerritos in over 40 years.

The Army Corp of Engineers will recommend a \$1 billion proposal to revitalize 11 miles along the Los Angeles River. Rehabbing the river from downtown LA to Elysian Park is seen as the first step toward rehabilitating the entire 51-mile stretch of the river.

The "Subway to the Sea" mass transit project in Los Angeles has just been given a \$1.25 billion grant from the Department of Transportation for additional funding to complete the project ahead of schedule. Total funding for this massive project is now over \$2 billion.

One of the nation's busiest airports, LAX, is getting a \$7.3 billion facelift over the next 2 years with major updates and expanding runways to accommodate the daily air traffic coming in and out of the region.

Giving up on attracting an NFL franchise to downtown Los Angeles, city officials are instead investing heavily to remodel and update the city's convention center. The goal is to become a world-class destination for large conventions and groups.

## **UCLA Anderson Economic Outlook for Southern California**

All of the above encouraging economic news for our region was recently verified and predicted to continue through 2014 and beyond by the UCLA Anderson Economic Outlook Report published in April. While the current drought in Southern California is of great concern, UCLA findings indicate the state's economy has been in drought conditions for decades during various times but is not dependent on weather conditions as other farming regions in the U.S. seem to be. The need to invest in education to bring quality jobs to Southern California, as well as attract quality employers, remains a state and regional focus.

## Other Regional Economic News

The Grocery Workers Union of Southern California has ratified a new, two-year labor agreement for 60,000 employees at grocery chains Vons, Ralphs, and Albertsons supermarkets.

Residential solar company Verengo Solar of Torrance has put itself up for sale, enlisting Bank of America Merrill Lynch as an advisor. Verengo, which installs residential solar energy systems, is the third largest solar installer in the country behind SolarCity of San Mateo and Vivint Solar of Provo, Utah.

Walt Disney's \$550 million purchase of YouTube video producer Maker Studios in Culver City is a sign that the entertainment industry's content and technology startups are coming of age and proving to be as valuable to Hollywood and Southern California as app makers are to the giants of Silicon Valley.

The new grocery delivery service, Instacart, is now open in Southern California. Instacart customers can order groceries from Whole Foods Market with additional chains being added by July. Instacart launched in 2012 in San Francisco. It now has operations in Boston, Chicago, Washington, D.C and Philadelphia. Instacart has raised \$8.5 million in series A funding, led by Sequoia Capital.

Gene Seroka has been appointed the new Executive Director of the Port of Los Angeles, the nation's largest and busiest container port in the U.S. This vital city department has a \$1.1 billion operating budget with 1,000 employees. Nearly 900,000 regional jobs and nearly 3 billion U.S. jobs are directly tied to the Port of Los Angeles.

Southern California Tourism set records in 2013 for both number of visitors and revenue generated for the region. **42.2 million Visitors collectively spent \$18.4 billion** during their stays to our region's many attractions and destinations. Tourism is one of the largest and strongest economic sectors for our region, supporting 476,000 jobs, a jump of 21,400 more jobs over 2012. Tourism represents 1 out of every 5 new jobs generated in our region.

## Traffic Conditions in Southern California

The nation's longest continuous carpool lane has just opened in Southern California. The 405, which is the country's busiest urban interstate highway, marks a milestone for the region's commuter culture. The full carpool route runs for 70 miles from Southern Orange County to the Northern tip of San Fernando Valley, which now matches the southbound side of the highway.

The 405 highway carries about 300,000 vehicles a day, a number that is expected to grow by 50% to 447,000 by 2025, according to the Federal Highway Administration.

## The most powerful City brand on the Planet is...LA.

The Guardian Newspaper has just concluded a global survey of the world's best city brands based on infrastructure, economic prosperity, media mentions, awareness, image, and "coolness" and the winner is...LA!

Coming in right behind LA were New York, London and Paris.

## Southern California Radio Industry Growth Trends:

According to Nielsen Audio, total Radio listenership for Persons 12+, Monday-Sunday from 6:00AM-12Midnight continues to grow for Southern California Radio. Radio's growth is even more impressive when one looks at all the audio competition that is available to our listeners each week.

**Comparing Q1 2013 to Q1 2014 listening trends, we are pleased to report continuing growth in terms of total cume listening.** Q1 2013 was 10,317,400 listeners. In Q1 2014, total cume had risen to 10,524,700, which is a 2.0% growth rate for Los Angeles Radio. For Riverside/San Bernardino, total cume rose from 1,830,100 to 1,842,800 which was a .7% growth factor. And the largest cume growth came from the San Diego market which grew from 2,463,200 to 2,517,100 or a 2.2% growth rate.

According to Miller Kaplan Arase, LLC, total market revenue through April 2014 for all reporting LA Radio stations showed a variance of only -1.4% over the same YTD period in 2013. A closer look at this report reveals a national spot weakness which resulted in the total variance. This weakness is reflected on a national basis as well and not just for Los Angeles. It should be noted that on a YTD basis, Radio's Network, Digital, and Non Traditional Revenue categories all are showing double digit percent increases over 2013.

We view these trends as positive, especially when one examines the enormous amount of new advertisers and revenue generated by our region's Radio stations. **New YTD business development represented new revenue of \$20,328,430 from 412 different advertisers. We see this number rapidly increasing as we approach the critical summer months of Q3 for Southern California Radio.**

This overall revenue trend is consistent with national industry sources such as BIA/Kelsey who maintains the Radio industry's broadcast revenue will increase 1.4% to \$14.5 billion in 2014. The industry's digital revenue will increase by 11% to \$634 million this year.

Based on the above data, we see a developing third quarter for our region that features two major holiday retail events in the 4<sup>th</sup> of July and the critical Labor Day weekend sales. The summer months are significant to Radio as so many outdoor events, concerts, and live broadcasts will fill many Radio stations' calendars throughout Q3.

Additionally, back to school sales in August and the very beginning of the 2014 political advertising season in mid-September will also be in the midst of the important third quarter.

## Radio Market Trends and Data

The SCBA follows a number of key advertising categories and industries, supplementing that data with local Radio management input to offer the following overview of the region's advertisers and how it may affect advertising decisions regarding Southern California Radio and its digital platforms. We offer this overview of the business climate for Q3 with a reminder that events and client strategies can and will change quickly, thus impacting commercial inventory as well as event and sponsorship availability. This especially holds true with so many planned events for the third quarter among our Radio members.

We begin our overview with the **automotive category**, Southern California Radio's largest advertiser category. As projected from our Q2 report, auto sales have been impressive with most dealers posting record sales for May 2014. Early indications would suggest that dealer spending in Q3 will continue to grow as the category grew by 5.7% in April, prior to the just

reported sales month in May. We see more emphasis on used cars and trucks with dealers expanding their inventory, since profit margins are considerably higher for used vehicles over new ones. We will also see increased spending from Ford Motor Co. as the new all aluminum body F-150 makes its debut in September 2014.

**SCBA Recommendation:** For automotive clients and dealer groups that are heavily invested in TV over Radio, we urge you to meet with us to discuss the new **SCBA Auto Focus Report**, which is an in-depth review of current TV to Radio ad spending by dealership and/or association for Southern California. The trend lines of Radio's growth vs. local TV's viewership erosion are compelling data that need your immediate attention for current and future spending levels.

While current conditions have softened somewhat, the following categories continue to show impressive growth spending and that trend should continue well into Q3.

- **Insurance Companies** grew their Radio budgets by 88.0% through April 2014. We see that trend continuing with health and wellness campaigns increasing along with auto, home and life carriers.
- **Casinos/Lotteries** remained a consistent and growing segment as regional casinos continue to become more competitive. YTD growth through April of 34.9% should increase during the key summer vacation months of Q3.
- **Personal Fitness and Weight Centers** showed April YTD growth of 162.9% and with new center openings increasing this summer, that growth trend should continue into Q3.
- **Security Services** also saw impressive April YTD growth of 56.2% and now with housing and condo construction on the rise, we see this category as growing even larger for Q3.
- **Home Improvement** advertisers increased their Radio budgets by 44.1% April YTD. With less inventory and higher mortgage rates, home owners are staying put and are looking to enhance their homes rather than sell. We see that regional trend continuing well into Q3 and beyond.
- **Postal/Delivery Services** were way up, 108.5% for April YTD. The delivery services business is heating up in Southern California as increased pricing wars and speed of delivery become larger consumer factors.
- **Hotels/Resorts** have increased April YTD spending in Radio by 36.2%, which is consistent with our region's growing tourism and trade meeting activity. We see that growth continuing as the summer months for family and vacation travel will reach peak activity in Q3.
- **Concerts/Theatre/Movies** have shown consistent spending growth through April with a 22.3% increase. We see this category jumping higher as we approach the key summer months of Q3 for major concerts, movie blockbusters, and regional theatre offerings.
- **Recruitment/Employment** as a category that is growing is reflective of the broader employment increases our region is finally seeing with an April YTD growth rate of 21.9%.
- **Real Estate/Retirement Communities** has been steadily growing for Southern California Radio. With a 22.4% growth rate through April, we see this category as a solid advertiser in Q3 based on the previously reported real estate trends and retirement community developments increase.

- **Education** has shown only a 15.2% growth rate for Radio through April but we project this category to show significant growth in Q3 from both continuing education programs as well as MBA programs that have August enrollment deadlines.

### Radio Trends worth Watching

- According to a new report from Millennial Media and ComScore Research, 79% of streaming Radio listening now takes place on Smartphones, 16% on tablets and 5% on desktops and laptops.
- Radio content is now everywhere; in the car, on mobile phones, and all on a 24/7 anywhere-our-listeners-go basis.
- Southern California Radio's weekly reach of Persons 12+ is larger than any other media including TV, Newspaper, Facebook, Twitter, Pandora, Sirius/XM and all other media outlets in our region.
- The number of listeners for our region has grown by 7% over the past 6 years.
- Please visit us at [www.scba.com](http://www.scba.com) for updated Radio research information on a variety of categories, latest trends, and an updated "Value of Radio" overview.

### Competitive Media Trends worth Watching

- Another technology giant threatens traditional appointment Television as Amazon TV has launched **Amazon Fire TV** which marries its growing video library with content from other providers.
- And another tech threat for TV as YouTube buys videogame streaming service, Twitch, for \$1 billion as it seeks to redefine the future of live and social TV.
- According to a recent report from Jacobs Media entitled Tech Survey 10, twice as many people are complaining about Pandora's commercial load as they did two years ago. The inability to skip more songs is a close second. Other top complaints about the pure play are no local information, too many "bad songs" and it is too predictable.
- Please visit us [www.scba.com](http://www.scba.com) for our latest competitive research information including our just published SCBA White paper entitled "**Traditional Appointment Television's Technology and Viewership Erosion Crisis.**"

### SCBA Guidance for the Third Quarter of 2014

We see Q3 Southern California Radio advertising activity as brisk in the categories documented in this report as well as new business development which continues at a torrid pace for our member stations, and will continue to be so with shorter planning cycles as our clients adjust to a changing and dynamic marketplace, an economy that is gaining strength but still has some blips from month to month. While caution is still the prevailing mood with some client categories, others are enjoying record months.

And while a straight up trajectory of growth for any media industry is just not realistic at this time in 2014, Southern California Radio and its multiple digital and audio platforms are **poised for Q3 growth** with two major holiday sales weeks, big back to school retail events, an improving consumer confidence, traditionally high Radio listenership months, major station events throughout the summer, and the fact that Radio still reaches 93% of Southern Californians every week. **More than any other media today.**

If building your brand and increasing sales and market share are crucial in your marketing plans, we urge you to contact us at [www.scba.com](http://www.scba.com) to learn more about the ubiquitous reach and commercial environment your message will be heard in as only the value of Radio advertising can consistently deliver.

If you have any questions about the **SCBA Quarterly Market Guidance Report** for the Third Quarter, or if you would like to schedule an in-depth discussion about your advertising plans using Southern California Radio and its many business solutions for Q3 and beyond, please contact me directly at [323-930-5597](tel:323-930-5597) or at [tcallahan@scba.com](mailto:tcallahan@scba.com).

We look forward to building your brand and increasing your market share... on the Radio and its many digital platforms.

Sincerely,

Thom Callahan/President  
Southern California Broadcasters Association

June 11, 2014

Sources:

NY Times, LA Times, LA Business Journal, Jacobs Media, Nielsen Audio, LAEDC, Millennial Media, Comscore Research, Los Angeles Board of Tourism, The Guardian, (UK) Miller Kaplan Arase, LLC, Employment Development Department of Southern California, UCLA Anderson Forecast, RAIN News, Inside Radio, Automotive News, The department of Transportation. Scarborough Data, SCBA Member Stations, Wall Street Journal, California Association of Realtors.