



## SOUTHERN CALIFORNIA BROADCASTERS ASSOCIATION

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# The SCBA Quarterly Market Guidance Report For Q1 2015

**The Southern California Broadcasters Association is pleased to publish its Quarterly Market Guidance Report for the first quarter of 2015.** This report is a service for clients, advertising agencies, and media buying services that are planning to buy Southern California Radio advertising in **the first quarter of 2015**. 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.

We have added additional Q1 insight into the growing technology sector of Southern California, expanded our competitive media trends, and now provide more in-depth analysis of Radio's largest ad categories and their anticipated growth patterns for Q1 2015.

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

We begin the 2015 first quarter report with a brief 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 January 5 through March 31, 2015. Our report includes key economic indicators from the Los Angeles Economic Development Corporation which was released in December 2014.

According to the Employment Development Department, the LA area's unemployment rate held at 8% through November 2014, which is better than the 9.6% rate from one year ago. Local employer payrolls grew by 35,000 jobs to 4.22 million jobs in November 2014, the highest level of employment since December 2007. Most job gains were from higher education with retail and transportation being the second largest job gain categories.

Another job growth category is coming from the DMV which is on a hiring spree as it prepares to issue driver's licenses to undocumented immigrants beginning January 1, 2015. A projected 800,000 immigrants from Southern California will be applying in Q1. The agency will hire 500 new staff to cover the surge in applications for our region alone.

This overall encouraging job growth is a result of a recovering economy through 2014 in most of the major population areas of Southern California, all of which points to increasing consumer confidence and demand for goods and services in our region. We expect this job growth trend to continue throughout 2015 and Q1.

### **Southern California Home Sales are up**

Southern California home sales of new, resale, and condominiums are finishing 2014 at a five year high. The median price of a home in Southern California continues to outpace the country making the LA area one of the most expensive regions in the U.S. for home ownership.

According to real estate website Zillow, **Los Angeles and Orange counties are the least affordable housing markets in the country**. Renters, according to the report, have to pay more of their income in monthly rents in 2015 than anywhere else in the U.S. Adding to the tight and tighter Southern California real estate market is their prediction that home prices will average 5.7% more in 2015. The housing crisis in Southern California could be very good news for rental companies, as well as real estate firms, apartment hunting firms, apartment insurance providers, and local area movers. Tight home inventories are creating more renters, which has led to surging **Apartment Construction in Southern California**.

The cost of an average apartment in Southern California is projected to grow more than 8% over the next two years, a new study from **USC's Lusk Center on Real Estate** projects that rents will climb 8.2% in LA County by mid-2016. In Orange County, rents will increase by 8.6% and the Inland Empire rents will go up by 9.9% by that same time period.

#### **Notable Regional Economic News:**

- **Saint Louis Rams owner plans to build a new 80,000 seat stadium in Inglewood, right next to the Forum.** The 298 acre development will also include 780,000 square feet of office space, 2,500 new residential units, a 300-room hotel, and 25 acres of public parks, playgrounds, and pedestrian and bicycle access. Clearly, an NFL team is finally in LA's future for 2016.
- **Politics aside, the positive economic impact of President Obama's executive action on Immigration** will begin in Q1 for Southern California. Unauthorized immigrants in Los Angeles are among the most settled in the country - many have been in LA for almost 10 years. They contribute to roughly 7 per cent of the region's economy and make up more than one million unauthorized immigrants.
- **LA Small Business Owners Optimistic on 2015.** 62% of small business owners in the LA area are confident the local economy will continue to improve in 2015, according to the Small Business Owner Report. That's up from 46% from this time last year. 58% are planning to hire more employees, which was just 28% at the same time last year.
- **Southern California's growing partnership with China.** Universal Studios has announced plans for a new theme park in suburban Beijing by 2019. LA Mayor Eric Garcetti just completed a 12 day trade mission to China, South Korea, and Japan. Garcetti said that Los Angeles has "strong economic ties with Asia, and must build on them to increase investment, trade, and tourism in our city." China, Japan, and South Korea are LA's top trading partners. Fosun Group, one of China's largest conglomerates, is investing \$200 million in Studio 8, a startup run by a former WB film chief. Pasadena's East West Bank became the first Los Angeles bank with a branch in the Chinese city of Shenzhen.
- **New Push for Online Gaming.** A major California gaming tribe says it has joined a coalition to push for new legislation to bring online gambling to California. The California market is viewed as the crown jewel of the U.S. online gaming market. There are about 750,000 to one million players in California who would participate in internet poker if it was legalized, according to legislative estimates.
- **Dunkin' Donuts begins LA County Expansion.** East Coast based Dunkin' Donuts will open 100 shops in 2015 in LA county with a 4 year goal of 1,000 stores.

- **Pasadena's Caltech ranks as World's Best Research University.** For four years in a row, Caltech was rated the best in the world by The Times Higher Education magazine of Great Britain. UCLA also made the list, coming in 12<sup>th</sup>.
- **LA County launches \$61 million Health Plan.** It's called, My Health LA and provides access to a primary care physician for almost 150,000 residents who are uninsured, including many who are ineligible for the ACA because they lack legal immigration status.
- **LAX estimates 70 million passengers in 2014.** Los Angeles International Airport is having its best year in terms of passengers traveling through LAX since 2000. Mail and freight cargo is expected to increase by 7.8% which is a direct sign of increased imports and business for Southern California.

### **Southern California Commuter Traffic increases (again)**

With 66% of Southern California Radio listenership being done away from home, it's important to note that traffic congestion has grown substantially in our region with the improving economy. According to census data and the Texas Transportation Institute at Texas A & M University, average commuter time spent while driving is on the increase again. The institute's 2012 study shows that motorists in LA and Orange Counties experience 61 hours of delay annually, a four hour increase over 2008, which was then the early part of the economic downturn. **61 hours is far above the national average of 38 hours of average delay in traffic.**

With gas prices at 5 year lows and an ever improving employment picture, the good, bad old days of heavy traffic and its inherent Radio listenership trends is on the **increase** in Southern California once again.

### **The Larger View for Broadcast Radio**

**Q1 2015 begins with very encouraging signs for Broadcast Radio. Among the positive signs we are watching include:**

- Magna Global is predicting the largest growth rate for U.S. advertising spending in a decade. Magna estimates 2015 will generate \$179.3 billion in total U.S. advertising sales, with a 3.3% gain in core media spending.
- ZenithOptimedia is even more optimistic with a \$182.5 billion for 2015. Of that, Digital spending will rise by 18%, with TV down by 5%, Newspapers down by 8% and Magazines down by 1%. Radio is projected to increase by 1% with Cable up by 3%.
- According to ad buying service Strata, their new quarterly survey of ad agency buyers reveal that **Radio is the media their clients are most interested in.** This is a 2 year high for the survey in terms of Radio interest. The survey also reveals an optimistic outlook for the marketplace overall in terms of advertising budgets for 2015.
- Americans spend an average of 4 hours and 5 minutes a day consuming audio. A new cross-media analysis by Edison Research finds that **more than half (52.1%)** of that time

is spent with over the air AM/FM Radio. 20.3% is spent with owned music, another 11.6% with Internet Radio and Satellite Radio at 7.7% of the daily listening time.

### **Southern California Radio Industry Growth Trends:**

According to Nielsen Audio's NRD, Southern California Radio's total weekly cume listenership for Persons 12+, Monday-Sunday from 6:00AM-12Midnight **continues to grow** for Southern California Radio. Over the past 3 years, listenership has been solid and stable. Spring 2012: 14.6 million listeners, Spring 2013: 14.8 million listeners, and Spring 2014: 14.9 million listeners. That's 300,000 more in Radio cume listening in the past three years!

**Southern California Radio's growth is even more impressive when one looks at all the varied audio competition that is available to our listenership.**

The SCBA views this continued listening growth rate for Southern California Radio as further proof that Broadcast Radio remains a **consistently growing and popular medium. We recommend reviewing the complete Nielsen study, which can be found at <http://images.radcity.net/5335/5167548.pdf>**

According to Miller Kaplan Arase, LLC, total market revenue through November 2014 for all reporting LA Radio stations showed a variance of only -2.2% over the same YTD period in 2013. A closer look at this report reveals a national spot weakness of -10.4% which largely resulted in the total variance. National spot weakness was indeed on a national basis and not just in Los Angeles. It is important to note that on a YTD basis, Southern California Radio's Network growth was 64.7.0%, with NTR at a 14.9 % increase.

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.

Despite soft national business YTD, Southern California Radio's real economic health is revealed in its robust **new business development growth** through November.

- 463 new advertisers invested an impressive **\$38,358,316** in the first 11 months of 2014.

If Radio's real strength is local, then this impressive new business fact speaks loudly about the new partnerships that local and regional businesses have developed with Southern California Radio.

Based on the above developing data, we see a fast start to Q1 which parallels the local and national economy and its solid increases in GDP. Look for more NTR opportunities for advertisers as Q1 begins.

### **Southern California Radio Market Trends and Data**

The SCBA follows a number of key advertising categories and industries, supplementing that data with both local Radio management input and client feedback 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 Radio advertising climate for Q1 2015 by comparing Q1 2014 activity with market Intel for Q1 2015 observations by category.

Southern California Radio's largest advertiser category remains **automotive** and will continue strong in Q1 2015 after the industry's best year since 2006. New vehicle sales in the U.S. rose 6% in 2014 with 17 million cars and trucks sold nationwide. The average new car sold for 2% more than 2013 with used cars costing 5% more over 2013. With gas prices at a 5 year low, we project the return of increased sales for the profitable SUVs and larger models as MPG becomes an afterthought with the consumer, at least through Q1. Additionally, there are 24 new models for 2015 that must be advertised to an ever competitive U.S. auto buying market. While Radio will continue to pick up more of dealer ad budgets, TV remains the dominate advertiser force, despite general market TV's continued audience erosion.

**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 our **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. To read the full SCBA White Paper study and its findings, which should bring more value and consideration for SoCal Radio, please visit us at <http://www.scba.com/Article.asp?id=2819766> under the report entitled "Traditional Appointment Television's Technology and Viewership Crisis."

**The SCBA sees more continuous growth in Q1 2015 from these additional Radio advertiser categories for Southern California Radio:**

- The very hot **cellular category** will remain that way in Q1 2015 for SoCal Radio as the Apple iPhone 6 and 6 Plus run away from the smartphone competition, creating substantial conversion opportunities for AT&T, and a newly competitive, Sprint and T-Mobile. Both companies have now become fierce competitors once again since merger talks have ended. The **20% growth rate** from Q1 2014 should continue unabated in Q1 2015.
- **Casinos/Lottery** has remained a very competitive category for both in-state casinos as well as Vegas hotels stepping up their presence in Southern California. The category could see big jolts in spending if proposed online gambling laws are approved in Q1 by Sacramento. A growth rate of **30% should continue for Q1 2015**.
- **Personal Fitness and Weight Control Centers** is expected to continue its huge growth pattern as the New Year begins and everyone becomes health and image conscience again. We project continued growth to offset the holiday parties and overall increased calorie consumption brought on by Q4 events. Look for a **50% growth rate for Q1**.
- **Health Care has been a consistent Radio advertiser category.** Covered California as well as numerous regional hospitals, continue to battle for "patient share." Hospitals with a focus on Cancer treatment, heart and valve replacement, and neo-natal care were the most aggressive in their advertising. We see this category increasing in Q1 2015 **by 14%** with renewed attention to personal health and cancer treatment centers
- **Security Services** should see continued growth in Q1 for all the new housing starts, condo developments, and runaway rental property growth in Southern California. Rental property insurance should grow substantially in Q1 with a continued **25% growth rate** overall for this category.

- **Home Improvement** advertisers increased their Radio budgets by **46.4% in Q1 2014**. With SoCal's continued tight housing inventory and affordability issues, home owners are staying put and are looking to enhance their homes rather than sell. We see that national and regional trend continuing well into Q1 and beyond.
- **Insurance Companies** remain a growing ad category for SoCal Radio. In addition to the traditional coverage of home, auto, and life insurance, these companies are targeting ACA open enrollment, Covered California participants, and Medicare Part B candidates. A full list of options will need exposure and more advertising for Q1 sign up dates. We see a big Q1 in insurance spending for Radio. **A 40% increase** is projected.
- **Recruitment/Employment** increased considerably in 2014 and is clearly reflective of the broader employment increases our region is finally seeing with a growth rate **of 35%** expected in Q1 2015. Engineering, health professionals, and construction jobs are the 3 largest recruitment positions and, with no signs of seasonality in its efforts, we see a larger Q1 spending budget for Radio.
- **Education** and particularly the continuing education sector will be a highly competitive segment in Q1 2015. Open enrollment for traditional and MBA college level programs will begin in early Q1 for the Spring semester with substantial media planned. We see another **26% increase** in spending for Q1 2015.
- **Concerts/Theatres/Movies** have always been a solid Radio advertiser category in the first quarter and we expect the same for 2015. We project another **24% gain** in Q1 2015.

If there is a particular industry not listed that you would like additional insight on, please contact us at [tcallahan@scba.com](mailto:tcallahan@scba.com)

### Radio Trends worth Watching

- In its latest White Paper, the SCBA reveals independent research about Broadcast Radio's awareness and retention among consumers and the substantial advantage it holds over digital and social media. See the complete paper at <http://www.scba.com/Article.asp?id=2819766> under "**Consumer Response to Broadcast Radio Commercials vs. Digital and Social Media.**"
- **Radio's massive reach expanded in 2014** while TV's came diminished and smartphone adoption mushroomed, according to a new Nielsen report.
- **Radio's monthly reach in the U.S. increased** to 258.7 million, up from 257.4 million one year earlier. That increase pulled Radio much closer to traditional TV's reach, which fell from 283.7 million in 2013 down to 282.7 million in 2014.
- With 2 hours and 44 minutes of daily usage, **Radio remained** the second most used medium tracked by Nielsen. Broadcast Radio outperforms Smartphones, Internet access from a computer, time-shifted TV, game consoles, and DVD/Blu-ray devices, and multimedia devices.
- According to a 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.
- 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

- Sixteen months after its debut, the Long Beach Register published its final issue in December 2014 and will close, marking the latest chapter in a saga of cutbacks by the Orange County Register's parent company Freedom Communications, the [Long Beach Press-Telegram](#) reports.
- According to Nielsen's Q3 2014 media report, total year over year TV viewership, which includes LIVE TV and time-shifting, **fell substantially by 4%** in Q3, twice as fast as the 2<sup>nd</sup> quarter's 2% decline. The falloff was especially severe among young adults, 18-49.
- TV's erosion is also attributed to the proliferation of streaming TV devices as well as the growth of DVRs and online streaming competition from Netflix, Google, and **now** Amazon.
- Please visit us at <http://scba.com/Article.asp?id=2819766> for more on TV's erosion from our recently published SCBA White paper entitled "**Traditional Appointment Television's Technology and Viewership Erosion Crisis.**"
- **Pandora, and other new media reaching limits to growth.** They were the all-digital, online media darlings- that being Pandora and Twitter. Pandora stock is down 54% (28% decline in the last 3 months alone in 2014) and Twitter stock value has eroded by 48% by end of December 2014. Why? The short answer is investors see both companies with much lower audience potential than earlier in 2014.
- A sign of the times: effective 1/1/2015, the tribune company told **the L.A. Times staff** they will no longer earn or be entitled to any vacation, sick days or floating holidays. If needed, they must make their case to a supervisor.

### The SCBA Urges Caution regarding non-Radio Digital Advertising

While Radio has always welcomed competition from other media, the growing trend of some advertisers to spend their budgets in non-Radio digital platforms is, from our perspective, very concerning. In our "**Thought Leaders**" media post, the SCBA urges caution for any advertiser investing in digital platforms based on misleading gross impressions. The reality of deceptive digital advertising today and exactly who or what is seeing or hearing digital ads is highly questionable. We strongly recommend that advertisers read our post, "A Responsibility to the

Truth” at [www.scba.com](http://www.scba.com) before investing in search engines, third party networks, mobile ad networks, and/or web sites that are misleading and dishonest. Please click the link below.

<http://scbaradio.com/2014/07/01/a-responsibility-to-the-truth/>

Also, please read the latest article on **fraudulent digital ad clicks** from the NY Times below:

<http://www.nytimes.com/2014/12/10/business/media/study-puts-a-price-tag-on-digital-ad-click-fraud-.html?smid=nytcore-ipad-share&smprod=nytcore-ipad>

**The SCBA’s focus on technology as a new Radio advertising category is expanding with this report.** Research and recent activity now indicates that new apps, new tech based services, and a large number of startups in Southern California have begun to consider Southern California Radio to garner market share and brand awareness for their new consumer on-demand services.

- Los Angeles has more high-tech jobs than any other metro region in the country, including Silicon Valley, according to the Los Angeles Economic Development Corp.
- LA County employed 368,500 people in its high tech sector in 2014, defined as businesses with a large proportion of technology oriented jobs.
- “Los Angeles’ tech industry is now as critical to our economy as our manufacturing and entertainment sectors – and we are outperforming New York, Boston, and Silicon Valley,” said Mayor Eric Garcetti.
- High tech contributed **\$58.7 billion in labor income and \$108 billion to regional GDP.**
- **Google buys 12 acres in Playa Vista**, just north of LAX. Google has spent \$120 million on 12 vacant acres north of LAX in a bold move toward expansion in Southern California. “This is phenomenal news for the Westside and the Los Angeles economy,” said City Councilman Mike Bonin.
- **Seriously**, the mobile game studio, has secured an additional \$5 million from existing investors Upfront Ventures and Sunstone Capital. Seriously, based in Santa Monica just launched its first mobile game called Best Friends.
- **Whole Foods and Instacart will partner.** Whole Foods Market and LA start-up Instacart will offer quick delivery in 15 cities, including Los Angeles. Whole Foods will imbed Instacart shoppers in its stores to be ready for action when an order is placed, increasing speed and the company’s competitive position in the new instant-deliver market.
- **AmazonFresh**, the new online grocery delivery service being offered by Amazon, makes its big push into the LA region with food delivery partners of all varieties. Much like buying books and other merchandise, Amazon users can now order various foods through their online Amazon portal.
- Another new startup online grocery store, **Thrive Market**, has raised \$22 million in new funding and will be announcing grocery partnerships shortly.

- **Pluto TV** is a curated online video platform that offers 100 free TV-like channels that cover topics such as music, sports, and entertainment. They have just secured new VC funding of \$13 million.
- **Honk** is a new on-demand app trying to replace AAA as your roadside assistance vendor. The Santa Monica startup has 20,000 tow trucks and 3,600 partners in its nationwide network. Average response time is 15-20 minutes for their on-demand roadside assistance service.
- **Nielsen will now measure Netflix.** Nielsen will begin measuring the viewership of Netflix, Amazon Prime, and other streaming video providers. Audience measurement will begin in January 2015.
- **Disney and Wal-Mart reach Streaming deal.** Disney is making its cloud-based movie streaming service available to film titles purchased at Wal-Mart stores or through the chain's VUDU on-demand service.
- **Research confirms that Netflix** and others are upending the TV business model. The steady rise in online streaming is causing the rapid deterioration of traditional TV audiences and related ad revenue. Netflix, Hulu, Google TV, Amazon TV and others are greatly reshaping how people watch TV, as well as the broader economics of the TV business. In December 2014, WPP's GroupM advertising firm released a forecast predicting that traditional Television's share of the total ad market would fall for the first time in 2015. Todd Juenger, a media analyst with Bernstein Research said, "The ratings have just disappeared." You have audiences leaving ad-supported Television for non-ad-supported Television, and I don't think they will be coming back."
- **New SCBA Service for clients and agencies:**  

In Q1, the SCBA will introduce a **new service** for clients and ad agencies in Southern California who would like to learn more about Broadcast Radio and its varied digital platforms. Our new seminar is designed as a Primer to Southern California Radio for new media staffers including creative teams, media planners, buyers, and clients who may be new to the advertising business and that would like to learn more in a "non-selling" environment.

The seminar is entitled, "**Understanding Broadcast Radio in 2015 and Beyond.**" Dates and locations for the seminar will be announced shortly. For more information, please contact [tcallahan@scba.com](mailto:tcallahan@scba.com).
- **The SCBA/Nielsen Audio Radio Research Event** which was held on October 30, 2014, was Nielsen's groundbreaking new research on Radio's powerful Return on Investment for Radio advertisers. If you would like to learn more about this new definitive research and would like to discuss any of the research presented, please contact us at [tcallahan@scba.com](mailto:tcallahan@scba.com) for details.

### **SCBA Market Guidance for the First Quarter of 2015**

We are projecting Q1 Southern California Radio advertising activity as very active in the categories documented in this report as well as the noteworthy new business development pace

for our SCBA member stations. While caution is still the prevailing mood with some client categories, others will continue enjoying record months through the important Q1 consumer period.

Southern California Radio and its multiple digital and audio platforms enjoyed a strong Q1 2014, and that was with a recovering economy. Now just twelve months later, our business is **poised for Q1 growth** with a stronger regional economy, improving consumer confidence, growing Radio cume listenership trends, major station events throughout Q1, 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 [tcallahan@scba.com](mailto:tcallahan@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 first 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 Q1 and beyond, please contact us directly at **323-930-5597** or at [tcallahan@scba.com](mailto:tcallahan@scba.com).

In Southern California, Broadcast Radio continues to grow its audience. No other media can make that claim as we begin 2015.

**How can Southern California Radio help your business in the first quarter?**

**Happy New Year!**

Sincerely,

Thom Callahan  
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Los Angeles  
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Sources:

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