



## SOUTHERN CALIFORNIA BROADCASTERS ASSOCIATION

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## The SCBA Quarterly Market Guidance Report For Q1 2016

The Southern California Broadcasters Association is pleased to publish its **Quarterly Market Guidance Report covering the Southern California region for the first quarter of 2016.**

This report is for SCBA member use as well as an ongoing service for clients, advertising agencies, and media buying services that are planning to buy Southern California Radio advertising in **the first quarter of 2016**. 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 both our competitive media trends and economic growth by county, and now provide more in-depth analysis of Radio's largest ad categories and their anticipated growth patterns for Q1 2016 and beyond. We are also including a look ahead at the very important 2016 Political advertising cycle which is expected to be considerable this year.

### The Expanded Southern California Economic Overview

We begin the 2016 first quarter report with a deeper 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 1 through March 31, 2016.

According to the California Employment Development Department, through November 2015, LA County unemployment rate dropped to 5.9%, a considerable improvement over the 8.1% rate a year ago. Orange County also trended in the right direction with a drop to 4.0% from 5.2% a year ago. Same for Riverside/San Bernardino which dropped its unemployment rate to 4% from 7.7% a year ago. Ventura County also dropped from 5.4% to 4.4% from last year.

Southern California's labor market is back on track. In Southern California, every region saw job gains along with year over year decreases in unemployment. LA County's 5.9% unemployment rate is the lowest since 2008 and based on 2016 trends, we project continued decreases in Q1 2016.

The State of California led the nation in job creation increasing its growth rate by 2.9% from a year ago and that is better than the national average of 2.0%. All parts of Southern California added more jobs in yearly terms, the largest growth rate since March 2014.

Furthermore, 463,000 workers have joined the California labor force over the past 12 months.

**Southern California's estimated gross domestic product will exceed \$1.4 trillion in 2016**, making it the 16th largest economy in the world with Los Angeles County alone ranking 21<sup>st</sup> with a gross product of \$641 billion. The economic powerhouse that is Southern California is fertile ground for Radio advertisers looking to grow revenue, build their brands and drive market share.

The following showcases the economic strengths of our major Southern California counties.

**LA County: With a population of over 10.3 million, Los Angeles County has more residents than 43 states.** Total personal income is expected to grow by 5.9% in 2016. The unemployment rate for November 2015 fell to 5.9%. The median price for a home was \$470,000 and is expected to climb higher in 2016. New, multi-family and rental units are expected to grow substantially in 2016.

Job gains are expected to increase in 2016 in these categories based on 2015 results: Health care and social assistance as the largest growth job category, followed by administrative, waste services and management of companies and enterprises. Other noteworthy gains will include Education, professional, scientific and technical services, and information, which includes motion picture and sound recording. The burgeoning international trade with Asia in 2015 will see heavy investments from both public and private entities and with new trade agreements now in place for numerous industries, the LA region will increase employment and generate new wealth in 2016.

**Orange County: The unemployment rate in Orange County fell to 4.0% on an annual basis through November 2015, the lowest in Southern California and fourth lowest in the state.** The home of Disneyland, Orange County job growth mirrored LA County with health care, scientific and technical services leading the way in terms of jobs. Orange County's residential real estate market is improving with the stronger regional and national economy. The county is experiencing strong housing permits for new home construction and is projected to grow by a robust rate of 14% in 2016. New master planned communities in Irvine Ranch, Great Park neighborhoods and Rancho Mission Viejo are all reporting strong sales.

Local commercial real estate is also improving. Institutional investors are pushing up sales prices in expectation of rental increases. This all indicates a solid and growing business environment. Tourism is one of Orange County's most important industries. According to the Orange County Visitor and Convention Bureau, over 44 million people visited Orange County in 2015 and spent in excess of \$9.5 billion. Disneyland, Fashion Island and local beaches will continue to attract international visitors, with China and the Middle East being the two largest tourist countries. Leisure and hospitality jobs are projected to increase to 200,000 in 2016.

**Health care is a significant part of the Orange County economy.** 11% of all wages and salary jobs are in this sector. More than 1 million square feet of new health care-related leases were signed in commercial real estate in 2015. Look for higher paychecks in Orange County in 2016 from health care, high tech, and the growing biomed industries for the highly skilled workers in this sector.

**Riverside and San Bernardino Counties: Job growth in the "Inland Empire" grew by 4.6% in November 2015, outperforming the state growth of 2.9%. In 2015, this region has regained all of the jobs it lost during the recession.** Notable job growth came from the health care, leisure and hospitality, warehousing, and retail sectors. Another leading employment sector is the goods-movement industry which includes transportation and warehousing along with wholesaling. The industry employed 140,000 workers in this growing segment of Riverside and San Bernardino. Based on huge port activity, this category of jobs will grow by 4.2% in 2016. This region's housing rebound has been remarkable since it was hit the hardest during the housing crisis of 2008. Higher prices per existing homes are expected in Q1 and beyond for this dynamic and growing region.

**Ventura County: The unemployment rate in November 2015 dropped to 4.4% and has significantly improved over the 6.4% posted a year ago. Total job growth was 4,400 over a year ago.** With 43 miles of coastline and close proximity to one of the largest wine growing regions in the world, Ventura County attracts large numbers of tourists every year. Non-farm employment is projected to grow by nearly 2.5% in 2016. Total personal income is expected to rise by 5.7% in 2016. To underscore this county's growth potential, 1 out of 5 jobs will be in construction in 2016 and beyond.

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

- **California leads the nation in business creation.** According to Beacon Economics, Inc., who conducted this ten year study. Contrary to the popular image of California as a non-friendly business environment, Southern California enjoys a highly skilled workforce and a strategic location to the Pacific Rim, giving it a natural advantage over other parts of the country. Business consultant Larry Kosmont concludes, “ No business can walk away from the world's 7<sup>th</sup> largest economy with nearly 40 million people in one state”
- **U.S retail** and food services sales for November 2015 were up by 0.2% over the month. The real increase is more like 0.6% when autos, gasoline, and building supplies are removed. Strong sales overall were reported from major retail categories such as sporting goods, hobby, music, clothing and accessories, posting a 0.8% gain. Food stores, general merchandise stores, restaurants/bars grew by 0.7%. Electronics and appliance stores both had 0.6% increases over the month.
- **Southern California Tourism surged to 45.5 million** visitors in 2015 with larger numbers of South Koreans and Chinese visitors. This is a strong 10% increase over 2014.
- **The Rams return to LA** for the 2016 NFL season. Hosted in a temporary stadium for the next 3 years, a super structure will be ready in Inglewood by 2020. Welcome back Rams and the NFL to Southern California.
- **Inflation is back.** The Consumer Price Index for November 2015 was up after deducting energy and food costs to an adjusted 1.9% CPI for Southern California.
- **LA Region remains top U.S. manufacturing hub.** Despite a loss of aerospace jobs, Southern California remains the top spot for manufacturing in the country, with 518,691 jobs in 2015, above Chicago's 407,185 jobs, according to the bureau of Labor Statistics.
- **Bicycle Casino** opens. The new casino in Bell Gardens is a seven story, 99 room new player to the red hot casino market in Southern California.
- Encino based **Gelson's Markets and Smart and Final** Stores are expanding in Laguna Beach and Carlsbad, adding to the six additional stores they have acquired from the now bankrupt grocer, Haggen.
- **Petco**, the privately held, Southern California based pet retailer agreed to be sold for \$4.6 billion to CVC Capital partners and the Canadian Pension Plan Investment Board. Petco, which operate 1,400 locations in the U.S., Mexico, and Puerto Rico, will keep its headquarters in Rancho Bernardo.

- **Dollar Shave Club** increases funding to \$90.7 million. The LA based, razor delivery startup increased its current funding round with a goal of \$100 million. Dollar Shave Club raised \$75 million just 5 months ago.
- **Southern California small business owners** remain confident about 2016, according to the 2015 Bank of America Small Business Owner Report. The report states that 79% of those interviewed will achieve their 2015 revenue goals. Additionally, 62% plan to hire more staff in 2016. The report also reveals that 40% were “concerned” about the impact of higher minimum wages on their business.
- **More jobs in LA County:** The Kyser Center for Economic Research reports YTD job growth for November 2015 in construction jobs at 7.8%, health services at 3.7%, Fashion employment at 3.1% and professional services growing by 3.0%. Additionally, tourism has grown YTD to 7.2% and airlines passenger counts by 7.7%.
- German discount grocer **Aldi** plans to open 45 stores in Southern California by March 2016. Analysts are predicting an intense and long lasting price war among grocery competitors. Through a family trust, the owners of Aldi's, the Albrecht family, also own Monrovia-based Trader Joe's.
- LA based **SolarCity** gets a \$100 million investment from the Silver Lake Investment Firm. SolarCity is owned by Elon Musk, CEO of SpaceX and Tesla Motor Co.
- A new **W hotel** is headed to downtown LA across from the Staples Center and will replace the luxe hotel as part of a \$700 million mixed use development built by China's Shenzhen Hazens Real Estate Group Company. The new development opens in 2019.
- **Spotify sued in LA Federal court over music rights.** LA based law firm Michelman and Robinson is representing David Lowery, founder of the bands Camper Van Beethoven and Cracker, in a class action lawsuit claiming the pure play service unlawfully distributed his work. Lowery is seeking \$150 million in damages.
- **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>.

### Southern California Commuter Traffic Congestion Increases (once 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 new 2015 study shows that motorists in LA and Orange Counties experience **80 hours of delay annually**.

**Those 80 hours of delays is almost double the national average of 42 hours.**

With the country's second largest traffic congestion, heavy traffic and its inherent Radio listenership trends are on the **increase** in Southern California once again.

**SCBA recommends:** Please see the highlights of this study created by the SCBA under the Traffic and Commuting tab in the Market Research section entitled; “[Listening to Radio in SoCal’s Traffic Jams.](#)”

In addition to all of the growing traffic congestion that is faced in Southern California, there is new concern that traffic will become much worse under the new proposed Mobility Plan 2035, a major effort by the LA City Council to get people to take the bus and/or bike to local neighborhood events.

## The Larger View for Broadcast Radio

**Q1 2016 begins with very encouraging signs for Broadcast Radio and we begin with listenership:**

- Nielsen Audio states that Broadcast Radio has set a new weekly **cume high** with **245 million listeners to Radio**. This is the largest weekly cume number for Radio ever recorded.
- A new report from JD Power found 20% of new-vehicle owners said they never used 16 of 33 in-car tech features and nearly **33% indicated they never used in-vehicle apps**.
- **For car buyers, AM/FM is still top choice.** Radio reached 84% of buyers 18-64, who visited a showroom during the Friday- Sunday period that accounts for 80% of all dealership traffic, new media usage research shows, according to USA TOUCHPOINTS. The report states that “**Radio plays a very big role in getting people to the showroom and exposing them to messages before they arrive.**”
- **AM/FM Radio remains the king of all audio.** According to Edison Research, “Share of Ear” report for Q3 2015, the share of audio time spent for Persons 13+ is 52% for AM/FM Radio, 6% for Pandora, and only 3% for Spotify.
- According to ad buying service Strata, their new quarterly survey of ad agency buyers reveals 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 2016.
- Americans spend an average of **4 hours and 5 minutes a day consuming audio**. A 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:

**SCBA Recommendation:** Please read our latest Media blog post about Radio’s real strength: It’s called: “[Pushing Back on DERP](#)”

**Southern California Radio is in the midst of an impressive 3 year listener growth trend:**

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 come 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 listeners.**

**Now let's take a closer look at the steady and impressive growth in Radio listenership for the LA metro alone according to Nielsen Audio, 12+, Monday-Sunday, 6:00-12:00Midnight.**

Spring 2012	Spring 2013	Spring 2014	Spring 2015	change 2012 vs. 2015
10,241,500	10,437,900	10,547,800	10,537,000	2.9%
				295,500

The SCBA views this continued listening growth rate for Southern California Radio and the LA metro 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>

Southern California Radio's **inherent ability to attract new advertisers** to the many targeted formats that only Radio can offer is underscored by the November Miller Kaplan Arase reports of new advertisers in the first 11 months of 2015.

Our media's real economic health is revealed in its robust **new business development growth** for November YTD in 2015.

#### **November 2015 YTD:**

499 New advertisers totaling \$37,580,015

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.

While new business development for Radio advertisers will continue in Q1, as well as achieving its largest come audience ever, there is still a nagging perception issue regarding the value and strength of Broadcast Radio.

### **Perception vs. the Reality for Broadcast Radio**

"As a marketer, I've always found Radio to be a medium that effectively and efficiently delivers reach over an extended period of time, while driving ROI within the total communications plan," said Mark A Kaline, a former head of media at Ford Motor Company and Kimberly-Clark, who now heads his own consultancy. "But Radio has been too low profile with brands..." Radio needs to be more aggressively marketing their story as the leading mass reach media."

## **We couldn't agree more!**

A recent survey commissioned by the Radio industry had the company, Advertiser Perceptions, survey advertisers and agencies in the U.S. about Radio's audience and that of its digital audio rivals. Conducted from May 11-14, 2015, results from the study of 327 advertising decision-makers underscored **Radio's perception problem versus the reality of Radio's reach**.

Advertisers surveyed estimated that 64% of Americans are reached by AM/FM Radio. Nielsen clearly shows that Radio's actual reach is **93%**. Another perception issue rose when advertising executives were asked about the share of audio time spent with Radio and streaming music services. They perceived the time spent with Pandora and Spotify to be the same as AM/FM Radio. However, the reality is that AM/FM Radio's share of audio time is **9 times greater** than Pandora and **17 times greater** than Spotify, according to Edison Research's Share of Ear study.

Adding even more to the misconception of Radio, those surveyed said they believed that Pandora and Spotify reach 27% and 20% of Americans, respectively. The reality is that Pandora's reach is only 15% of Americans and Spotify even less at 5%, all according to the Edison study.

**SCBA Recommendation:** If your team or client (s) would like a no obligation consultation on the real facts and value of Broadcast Radio, please contact the SCBA to arrange a meeting. Please contact [tcallahan@scba.com](mailto:tcallahan@scba.com) for more information or visit us at [www.scba.com](http://www.scba.com).

**An informed client is in everyone's best interest. Please get the facts about Southern California Radio at [www.scba.com](http://www.scba.com) today.**

## **Southern California Radio Category 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 2016 by comparing Q1 2015 activity with market Intel for Q1 2016 observations, and beyond by category and current economic conditions.

### **The Political Year Ahead:**

Demand for Radio commercial inventory will be at record levels in 2016 for Southern California, based on a busy political season to come and having a significant impact for Q1 for both the 6/7 primary and numerous propositions on the ballot.

So much depends on polling leading up to the primary and general elections in California, and if candidates think they can compete, but for now, there is potential political dollars that could be significant for the LA region and Southern California. \$11 million was spent in LA Radio in 2014 to give you an idea of the potential for 2016. We project that Southern California Radio will substantially exceed its 2014 political revenue.

We project considerable political revenue for Southern California based on the following activity:

### **United States Senate Election in California.**

For the first time in 24 years, a US senate seat will be open in 2016 in CA. On the Democratic side, there are 2 declared candidates and 6 potential candidates that will compete in the 6/7/16 primary along with 7 declared republicans' candidates and 12 potential candidates making for a crowded and possibly lucrative primary race. Whoever wins the primary, then faces a big fight for the 11/8 general election. (Consensus says the democrats are not a shoe-in due to low profile candidates, making republicans spend more for this important seat) California is one of the few states where all candidates run for the primary and the most votes gotten by any candidate then goes on to the general election. In other words, a big primary battle will be ahead. \$\$\$

### **State Wide Ballot Propositions:**

There are as of this writing, 11 state wide CA propositions that will be voted on come 11/8. There are another pending 9 propositions that could make the ballot by then as well, making this category of voting very important and busy for its backers in terms of advertising. This does not count the numerous regional and local propositions for highway expansion and general road improvements for the LA regional area. Some of these measures will be on the 6/7 primary date for voting as well. The state wide marijuana use laws and restrictions could also be a hot topic come the fall. \$\$\$\$

### **Two Big Congressional Races impacting the LA region:**

The 44<sup>th</sup> and 46th congressional districts, both in the LA area, will be open with US Rep. Hawn running for the LA board of education and US Rep. Sanchez running for US senate, so both seats will be open. There will be at least 6 candidates from the democrats and 4 from the republican side competing in the primary runoff on 6/7/15. We see these two open seats for 2016 as highly competitive, active, and lucrative for LA Radio. In Riverside and Corona, Districts 41 and 42 are running unopposed so far in 2016. \$\$\$\$

### **US Presidential Primary and Election:**

Since California and its 55 Electoral College votes are so heavily democratic, we don't see significant national election dollars coming our way, at least from the Democrats. The Republican race could get interesting but too soon to know for now and how it will impact Southern California. \$\$

**The SCBA is providing a special focus on the automotive category in this report** which includes auto dealers, dealer groups, and the manufacturers. Early indicators suggest an equally strong Q1 2016 as was Q4 2015 for both SoCal dealers and groups. Comparing Q1 2015 expenditures, with a record 36 new models being introduced in 2016, continued low interest rates for financing, attractive Q1 lease offers, and seasonally lower gas prices, we look to a 5.4% growth rate for Q1 2016.

**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 has analyzed the following key advertiser segments and projects potential spending trends for Q1 2016 from these categories for Southern California Radio:**

- The **Financial Services** category grew by 41.4% comparing November 2015 to November 2014. We see continued expansion of online services, debt management, as well as increased home mortgage applications as we move closer to Spring.
- With most 2 year consumer plans now history, (AT&T just dropped 2 year plans) the **communications/cellular category** has grown by only 1.6% on a November to November basis, however, we project a robust Q1 spending with a new iPhone in March-April as well as the rush to cheaper, month to month plans.
- **Insurance Companies** maintained a solid 20.6% increase on a November over November spending basis. Insurers looking to expand market share in SoCal continue to offer new services in a wider variety of categories and target groups. In addition to the traditional coverage of home, auto, and life insurance, these companies are targeting renter insurance, ACA open enrollment, Covered California participants, Medicare Part B & D candidates, and long term health coverage, as well as a full list of options that will need exposure and more advertising for Q1. We see a big Q1 in insurance spending for Radio with a **15% increase** projected.
- **Professional Services** which consist largely of attorney services has been a consistent and reliable growth category with a 22.9% increase. We see greater growth for insurance claims from El-Nino related weather events as well as the recent gas leaks at the Porter Ranch subdivision. Expect a 20% increase for Q1.
- **Restaurants** continued their dynamic business patterns with a 10.7% YTD growth rate for Radio. With a new round of price wars started by Burger King, we see an intense fast food ad spending trend for Q1 and beyond. Expect 14% for Q1 increase.
- **Home Improvement** will continue its rock solid Radio spending as it did with YTD increases of 26.2%. As more homeowners look to stay in their current homes due to lack of inventory, we see increased spending in this category in Q1 of a projected 20%.
- **The Foods** category which includes new consumer offerings grew by a 34.7% basis in November. We see white hot pressure on food prices and new products and project 20% increase for Q1.
- **Casinos/Lotteries** remained a favorite Radio buying category with a 49.0% increase in November. The SoCal casinos competitive environment keeps getting more intense with weekend packages and added entertainment features adding to its attendance overall.
- The **Education sector**, up only 11.9% for November should see its Q1 spending rise considerably for the busy January MBA programs and continuing education enrollment

from our regional schools and colleges as well as early registration for the spring semesters. We project an 18% increase for Q1.

- The **Television/Networks/Cable Providers** category slipped by both a November miss of 4.3% decline as well as an YTD erosion of spending by 18.9%. Massive changing viewership habits and a move away from appointment Television and home cable makes the future of this category and the TV industry in general, somewhat difficult to project positive growth at this time.
- **Healthcare** remains a growing and consistent Radio advertiser category. An increase of 34.5% from November will drive this category into Q1 with both state and private insurance company plans expanding in Southern California.
- **With over 17.5 million registered vehicles in Sothern California, the auto parts and service category** remains a solid Radio advertiser segment. With a 31.2% growth rate in November and a 23.8% YTD growth trend, we see this category expanding to 25% in Q1 as more vehicle owner's hold on to their cars and trucks longer.
- 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 recorded an all-time high of 245 million listeners, making it a larger reach media than television.
- 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, 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

- According to Nielsen’s Q3 2015 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 through July 2015) and Twitter stock value has eroded by 56% by end of January 2015. Why? The short answer is investors see both companies with much lower audience potential than earlier in 2015.

### 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 websites 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 2015, defined as businesses with a large proportion of technology oriented jobs.
- **Google Express**, Google's overnight delivery service, which had only been available in West Los Angeles, is now expanding to all of Southern California. Customers can sign up for a \$95.00 annual fee or pay \$4.99 for each delivery of products from participating stores, including Costco, Target, and Walgreens.
- LA based **Snapchat** is seeking a new round of funding which would value the company at as much as \$19 billion, making it the 3<sup>rd</sup> most valuable venture backed company in the world. Saudi Arabia to become a key investor. Snapchat will also be including live sports broadcasts in its app, starting with the NCAA Basketball tournament in late March.
- **Match Group** shares have grown by 23% since its debut in November. Match Group is the parent company of dating app Tinder, based in West Hollywood.
- Santa Monica-based **Tuition.io** has been awarded \$8.2 million in start-up funding from 3 venture capital funds. The company is developing technology-based tools and services to help students manage, pay off or refinance their college loan debt load.
- **Dunkin' Donuts** joins Kentucky Fried Chicken in expanding its products for home delivery in Southern California. DD will partner with DoorDash, an on demand delivery service. Home delivery begins late December.
- **Google Compare** launches Southern California Mortgage search engine, which allows Southern California home buyers to use their laptops or mobile devices to shop for mortgages, compare rates, and apply directly. Google links up with Zillow and LendingTree for its new 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 2016.
- **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 2016, 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 would like to learn more in a “non-selling” environment.

The seminar is entitled, “**Understanding Broadcast Radio in 2016 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 2016**

We are projecting Q1 Southern California Radio advertising activity to be 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.

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).

For Advertisers, the media landscape can be a confusing and contradictory world. The SCBA is here to clearly and factually describe the value of Broadcast Radio and its considerable digital platforms, all of which are extensions of its core brands.

We look forward to providing our clients and agencies with any additional pertinent information as needed in your decision making process.

**Happy New Year!**

Sincerely,

Thom Callahan  
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Southern California Broadcasters Association  
[tcallahan@scba.com](mailto:tcallahan@scba.com)

Los Angeles, California

January 13, 2016

SCBA Quarterly Market Guidance Report for Q1 2016

Sources:

NY Times, LA Times, LA Business Journal, Nielsen Audio, LAEDC, 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. Kyser Center for Economic Research. Bloomberg News. Beacon Economics, Inc. USA Touch Points Data Research. CBS-LA.