



SOUTHERN CALIFORNIA BROADCASTERS ASSOCIATION

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The SCBA Quarterly Market Guidance Report For Q3 2016

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

This report is for SCBA member use as well as an ongoing service for clients, advertising agencies, the press, and media buying services that are planning to buy Southern California Radio advertising in **the third 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 Q3 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 Q3 2016 and beyond.

With Q3 and Q4 being critical election and ballot proposition periods, the SCBA will also examine the intense political season ahead and its dramatic impact on available AM/FM Radio commercial inventory for Southern California in September and beyond.

The Expanded Southern California Economic Overview

We begin the 2016 third 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 July 1 through September 31, 2016.

According to the most recent data from the Los Angeles Economic Development Corporation, California has added 450,200 jobs on an April to April basis. That is a 2.8% growth rate vs. the national growth rate of 1.9%, making California the largest job growth state on an April to April basis. All parts of Southern California added more jobs in yearly terms, the largest growth rate since March 2014.

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 21st with a gross product of \$643 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 10.4 million, Los Angeles County has more residents than 43 states. Total personal income is expected to grow by 4.6% in 2016 and 5.9% in 2017. Unemployment rates for 2016 will fall to 7.1% and 6.6% by 2016. Housing sales will accelerate to 6% in 2016 with new homes sales over 9% YTD. 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.

The unemployment rate fell from 6.6% a year earlier and was down to 5.1% as of April 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 2016 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.

Orange County: The unemployment rate in Orange County fell to 3.9% from 4.3% on an annual basis through April 2016, 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 16% 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 45 million people visited Orange County in 2015 and spent in excess of \$10.1 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. 12% 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 2015-2016. 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: Unemployment rates in the "Inland Empire" went down to 5.6% from 5.8% on an April to April basis in 2016. 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 4.9% 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 Q3 and beyond for this dynamic and growing region.

Ventura County: The unemployment rate in April was down to 4.8% from 5.2% on an April to April basis. 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 3.0% in 2016. Total personal income is expected to rise by 5.3% in 2016. To underscore this county's growth potential, 1 out of 5 jobs will be in construction in 2016 and beyond.

San Diego County: The San Diego market recovered all of the jobs it had lost during the great recession. Total non-farm jobs will exceed 1.4 million in 2016. With 3.3 million people, San Diego County is the second most populated county in California after Los Angeles County. The projected 2016 unemployment rate will be at its lowest, down to 5.1%, and its best percentage since 2008. San Diego County has a wide and dynamic variety of industries. Ship building and aerospace is a jobs driver with heavy ties to the local defense sector. With traditional defense spending down, other defense projects and related technical jobs have increased. These areas of growth include cyber security, intelligence surveillance, defense related electronics and software, and unmanned aerial systems. Biotechnology and health care jobs are surging, with San Diego County ranked 8th in the U.S. in the total amount of biotechnology venture capital invested. San Diego County added more jobs than any other Southern California county for the past four years. It will grow further in 2016 and beyond as a leader in telecommunications, medical devices, life sciences, and high-tech manufacturing. San Diego County is also investing heavily in its infrastructure that will improve long-term growth prospects, including upgrades to Lindberg Field and border crossing projects. San Diego County is also a popular travel destination which, along with the U.S. Navy and Marine Corps presence, makes this region dynamic and growing.

Notable Regional News:

- **Home Mortgages lending rates** have eased in Southern California as of May 2016 with the 30 year fixed rate at 3.61%, down from April's 3.67%. First time home buyers are now entering the housing market in larger numbers as a result.
- **Amazon to deliver two new Calif. warehouses**
The e-commerce company will add a new 1 million-square-foot fulfillment center in the Inland Empire's Eastvale, and a second in Tracy, near Sacramento, to bring its total number of California warehouses to nine. They will employ a combined 1,500 workers.
- **Uber** wants to hire 12,000 Spanish speaking drivers for its new Espanol Program. The goal is to provide more of its driver service to the under-served Urban and Latino communities in Southern California.
- **SoCal's In-N-Out is nation's best burger**
The Irvine-based burger chain topped the national rankings in a new Harris Poll for the second year in a row. The survey of brands in nearly 100 categories is based on interviews of more than 97,000 U.S. consumers.
- **Quicker Internet Coming to Los Angeles.** With 1-gigabit-per-second Internet speed, you could download 25 songs a second or a TV show in 3 seconds, AT&T is starting to offer this service in LA with two high-end apartment complexes downtown. The rest of the city should get the service in Q1 2017.
- German discount grocer **Aldi** has opened 45 stores in Southern California in May 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.
- **Los Angeles tourism breaks record.** More than 44 million tourists visited the region in 2015, according to City officials with 2016 on pace to exceed 46 million tourists. This will be the sixth year in a row that the region has broken its own tourism record.

- **The Q2 Manpower, Inc. survey of Southern California business** reveals that 15% plan to increase hiring for Q3 (up from 13% in Q1) with 74% staying as is, and 6% planning for layoffs. SoCal job hires include Construction, Manufacturing, Retail, Education, Health services, and Professional/business services.
- **CBS L.A. affiliate scores rights to air Rams preseason games**
KCBS, known as CBS 2, signed a multiyear deal with the NFL for exclusive rights to air the English-language broadcast of L.A. Rams preseason games in Southern California, starting in late summer. The deal includes games on Aug. 20, Aug. 27 and Sept. 1.

Southern California Commuter Traffic Congestion Increases (once again)

With 71% of Los Angeles Metro 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 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

Q3 2016 begins as Broadcast Radio grows its listenership:

- Nielsen Audio states that Broadcast Radio has set a new weekly **cume high** with **265 million Americans 6+ listen to radio each week**. This is the largest weekly cume number for Radio ever recorded. (Source: Nielsen Audio, State of The Media: Audio Today, February 2016)
- 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.
- The **new BIA/Kelsey Advertising Expenditure Report for June 2016** projects that on a national level local Radio revenue will finish at \$15.4 billion in 2016, a 2% increase over 2015. The top 5 local revenue mediums and their share are as follows:
 1. Direct Mail will bill \$36.9 billion in 2016 and a 25% share of local budgets.
 2. Local TV will bill \$21.9 billion in 2016 and a 15% share of local budgets.
 3. Newspapers will bill \$17.4 billion and a 12% share of local budgets.

4. Online/Interactive space will bill \$17.3 billion and a 12% share of local budgets.
 5. AM/FM Radio will bill \$15.4 billion and an 11% share of local budgets.
- **ZenithOptimedia** projects \$182.5 billion in advertising expenditures for 2016. 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 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%)** of that time is spent with over the air AM/FM Radio. 14% is spent with owned music, another 13% with Internet Radio and Satellite Radio at 6% 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 4 year listener growth trend:

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, 6:00-12:00 Midnight.

| Winter 2013 | Winter 2014 | Winter 2015 | Winter 2016 | change 2013 vs. 2016 |
|-------------|-------------|-------------|-------------|----------------------|
| | | | | |
| 10,317,400 | 10,524,700 | 10,531,600 | 10,733,200 | 4.0% |
| | | | | 415,800 |

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.radcitey.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 April Miller Kaplan Arase reports of new advertisers in the first 4 months of 2016.

Our media's real economic health is revealed in its robust **new business development growth** for YTD April in 2016. 378 new advertisers to AM/FM Radio in just the first four months of 2016!

April 2016 YTD:

378 New advertisers to AM/FM Radio totaling \$17,791,128

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 SCBA's member radio stations and the inherent ROI in such volume.

Growth for any media comes from new business development and AM/FM Radio in Southern California is leading the state and the nation in the month of April.

While new business development for Radio advertisers will only grow in the critical Q3 period, as well as achieving its largest cume audience ever, there is still a nagging perception issue regarding the value and strength of AM/FM 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 6% of Americans and Spotify even less at 3%, all according to Edison Share of Ear study.**

SCBA Recommendation: If your team, agency 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 confidential meeting. We represent only our member stations and discuss AM/FM Radio without bias for format, ownership, or location. Please contact tcallahan@scba.com for more information or visit us at www.scba.com.

An informed client is in everyone's best interest. Please get the facts about Southern California Radio at www.scba.com today.

Southern California Radio Category Trends and Data

The SCBA examines 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 Q3 2016 by comparing Q3 2015 activity with market Intel for Q3 2016 observations, and beyond by category and current economic conditions.

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 Q3 2016 as was Q2 2016 for both SoCal dealers and groups. Comparing Q3 2015 expenditures, with a record 25 new models being introduced in 2016, continued low interest rates for financing, attractive year end lease offers, and seasonally lower gas prices, we look to a 5.4% growth rate for Q3 2016.

Within the next 70 days, all new vehicle models will be competing for Southern California new vehicle buyers and the competition in Radio's largest category will be intense among manufacturers and their dealers. The new critically important new models include:

- Chevrolet Malibu and Cruze - Its new flagship mid-size and compact models must succeed for Chevy in the coming 6-9 months.
- Jeep Compass Replacement - will compete directly with Ford's Escape for 2016.
- Ford GT - New style cues for the new Ford super car. Look for new technology and lightweight materials in this soon to be heavily promoted sports car.
- Honda Civic - A new model that represents improved market share is vital to Honda.
- Nissan Altima - The Altima mid-size has been one of the best sellers in the USA. Lots of pressure with a brand new model debuting 10/1.
- New Toyota Prius - The best-selling Hybrid in the world must maintain its lead as stronger competition also coming from Chevy Volt, all electric Nissan Leaf and BMW i3.
- Lincoln Continental - is all new for 2016; it aims to target Audi A6, BMW 5 series, and Cadillac CTS.
- Mercedes-Benz E-class - The E-class luxury sedan will showcase Mercedes' latest safety and driver assistance systems. The first almost fully autonomous vehicle yet made by a manufacturer.
- With nearly 50% of all electric vehicles sold in the USA are in California, we anticipate more advertising in Q3 for these vehicles as gas prices rise, more range is available for 2017, and the LA region remains the country's most polluted major population.

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 the following potential spending trends for Q3 2016 from these categories for Southern California Radio:

- **The Auto Category:** The most durable and consistent advertiser category for AM/FM Radio, which includes tiers 1-3, we see steady growth with competitive summer sales events, deep manufacturer rebates for SUV's, lower than average gas prices, and early clearance sales on 2016 models. Growth rate of 4.4% in Q3 2015 with April 2016 YTD growth of 6.7% with current market conditions factored in, and the SCBA projects 5.8% growth in Q3 2016.
- **Casinos/Lotteries:** As more casinos open in SoCal, and the increased entertainment value of booking major music talent grows, we project more regional travelers coming to casinos during the summer vacation months. Growth rate of 19.7% in Q3 2015 with April 2016 YTD growth of 31.9% with current market conditions factored in, and the SCBA projects a 23.9% increase in spending on AM/FM Radio for Q3 2016.
- **Groceries/Convenience:** The region will see considerable growth for AM/FM Radio in Q3. With deep discounter Aldi opening 45 locations, Whole Foods launching its 365 discounted stores in LA and Santa Monica by August, home delivery now promoted by all major chains, and the intense price wars for grocery staples in the critical summer months, we project this volatile category growing by 15.1% in Q3 2016.
- **Personal Fitness/Weight Centers:** This category continues to become a more year round category as weight centers are no longer seasonal and personal fitness centers are more targeted to group classes and personal trainers. With an April YTD growth rate of 84.2%, and with seasonal adjustment, The SCBA looks for a 25.6% increase in Q3.
- **The Internet/e-Commerce Category:** Brick and mortar retailers are highlighting their ecommerce sites as are grocery chains and mass merchandisers. Newer non-retail categories are returning to AM/FM Radio for awareness and recognition instead of digital platforms that offer impressions but negligible ROI. We see this trend continuing in Q3 2016 at a rate of growth of 20.6%.
- **Television/Networks/Cable:** This category is suffering from disruptive factors impacting appointment TV with continued viewer erosion, and its negative growth rate on advertising for AM/FM Radio. With a -14.4% decline on an April YTD basis. Based on that trend, and with no critical sweep periods during Q3, we see a negative growth rate of - 20.7 %,
- **Department Stores/Discount/Shopping Centers:** Another category experiencing considerable erosion due to forces outside of AM/FM Radio, mainly from the Internet and powerful I-retail monster, Amazon. The retail sector stocks have been hit hard in 2016 and based on market Intel and retail feedback, we project continued less ad spending of -19.4% for Q3 2016.
- **Professional Services** which consists largely of attorney services grew at a seasonally adjusted rate of 1.6% on an April 2016 YTD basis. However, Q3 historically has grown during this period as demand for legal representation grows during the summer season. A 5.2% increase is projected for Q3.

- **Restaurants** remain a growing and year round AM/FM Radio advertiser with an April 2016 YTD growth of 31.1%. With so many burgeoning restaurant choices in much of SoCal, expanding locations for most major chains and same store sales up from 2015 for most national brands, volume dining habits will continue in 2016. This category should expand by 18.2% in Q3.
- **Home Improvement** advertisers increased their Radio budgets by 13.0% April YTD. 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 Q3 and beyond. Projecting a conservative 16% increase for Q3 2016.
- **The Auto Parts/Service category** posted a -16.2% April YTD negative variance, which is consistent with previous periods for this somewhat seasonal category. Despite a slow start to the year, we see consistent growth for this sector with Q3 business increasing for summer vacation check-ups, extreme heat conditions, and consumers holding on to their cars and trucks as they look at the 2017 model instructions this fall. We anticipate 7.5% increase for a universe of 18 million registered vehicles in Southern California.
- **Computers/Office Furniture/ Equipment and Supplies** continues its remarkable growth pattern using AM/FM Radio both on an April 2016 YTD basis and same period 2015 comparisons. This sector mirrors the overall growth of jobs and the economy in our SoCal region as well as record setting commercial building construction. Demand and growth is on track to increase by 35% in Q3 2016.
- **Political Advertising Category**: We project considerable political advertising dollars flowing to Southern California Radio in Q3 and Q4. In addition to the U.S. Presidential race, for the first time in 24 years, a U.S. Senate seat will be open in California, numerous congressional seats are at stake, and an estimated 16 different Ballot Propositions will face Southern California voters for a decision this fall. Much of this advertising will begin in late August and all of September through November 8. This does not include various PAC advertising (third party ads) which is not limited to any political window. As in the past, campaigns, PACS, and ballot proposition advocates will turn quickly to Radio once TV is sold out as it apparently almost is for September. Many of our members are already reporting massive avail requests for both ballot propositions and congressional races. There are two sides for every ballot issue and this category alone could outpace all other races starting in September. **We project September to be a record setting month for this category and urge all advertisers to consider booking their September-October-November schedules ASAP as sell-out levels will reach wide spread proportions. This will be a challenging political season and prior planning is critical. We urge clients to contact SCBA member stations to discuss availability for September and Q4 now.**
- If there is a particular industry not listed that you would like additional insight on, please contact us at tcallahan@scba.com

AM/FM Radio Trends worth Reading from www.scba.com

- **AM/FM Radio Dominates the Pure plays:** Read how AM/FM Radio clearly dominates all audio listening compared to Pandora, Spotify, and Sirius/XM Satellite. <http://images.radcite.net/5335/5179740.pdf>
- **AM/FM Radio remains the overwhelming choice for in-car audio listening,** despite the various choices available for today's in-car listeners. <http://www.scba.com/article.asp?id=2851286>
- **One More Reason to invest in AM/FM Radio.** Ad blocking poses serious threat to Google and Facebook advertisers. <http://images.radcite.net/5335/5179716.pdf>
- **Radio remains the top music source to discover new music** among 18-34 year olds. Surprised? Read why: <http://www.scba.com/Article.asp?id=2993920&spid=>
- **For Auto Dealers, it's AM/FM Radio, not digital, that is the big driver.** See this great article from Automotive News. <http://www.scba.com/Article.asp?id=2993919&spid=>
- 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 265 million listeners, making it a larger reach media than television.
- With 1 hours and 49 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. (Source: Nielsen Total Audience Report, Q4 2015).
- 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.
- **AM/FM 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 18+ 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 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 Q4 2015 media report, total year over year TV viewership, which includes LIVE TV and time-shifting, **fell substantially by 4%** in Q4 2015, twice as fast as the 4th 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% (31% decline through April 2016) and Twitter stock value has eroded by 56% by end of May 2016. Why? The short answer is investors see both companies with much lower audience potential than earlier in 2016.

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 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 378,500** people in its high tech sector in 2015, defined as businesses with a large proportion of technology oriented jobs.
- **Hubbard Radio** takes a 30% stake in PodcastOne of Beverly Hills just as E.W. Scripps bought Hollywood podcasting network Midroll Media. Despite a few breakout hits, podcast audiences remain small and slow-growing. 17% of Americans listening to Podcasts since January, according to Edison Research.
- LA based **Snapchat** is seeking a new round of funding which would value the company at as much as \$19 billion, making it the 3rd 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.
- **BeMyDD**, an online and phone service that lets its customers request designated drivers to take them home, has just moved to Beverly Hills from Cleveland.
- **ParkMe**, which provides real-time parking information through its mobile app, has expanded service to Venice and Hollywood.
- **Nielsen will now measure Netflix.** Nielsen will begin measuring the viewership of Netflix, Amazon Prime, and other streaming video providers. Audience measurement began in March 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 2017, 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 2017 and beyond.**" Dates and locations for the seminar will be announced shortly. For more information, please contact tcallahan@scba.com.

- For Radio sales staffs and agency account executives looking for new business, the **introductory letter** is critical to that first appointment. The SCBA is now offering one on one consultation to effectively help Radio and agency staffs write compelling and response producing introductory letters to key prospects. For more information, write to tcallahan@scba.com.

- **The SCBA/Nielsen Audio Radio Research Event** 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 definitive research and would like to discuss any of the facts presented, please contact us at tcallahan@scba.com for details.

SCBA Market Guidance for the Third Quarter of 2016

We are projecting Q3 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 Q3 consumer period.

We strongly recommend that any pending Radio advertising be placed as soon as possible as September and beyond will be very busy months for AM/FM Radio due to strong demand and a looming political advertising period that could be the biggest seen in SoCal in many years.

If building your brand and increasing sales and market share are crucial in your advertising plans, we urge you to contact us at tcallahan@scba.com to learn more about the ubiquitous reach and commercial environment your message will be heard in as only the value of AM/FM 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 us directly at **323-695-1000** or at 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 members, clients, and agencies with any additional and relevant information as needed in the decision making process.

The SCBA recommends your active and thoughtful consideration of the powerful and effective medium known as AM/FM Radio.

Sincerely,

Thom Callahan
President
Southern California Broadcasters Association
tcallahan@scba.com
323-695-1000

Los Angeles, California

June 15, 2016

Sources:

NY Times, LA Times, LA Business Journal, Nielsen Audio, Los Angeles Economic Development Corporation, 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. Orange County Register. Broadcasting and Cable. BIA/Kelsey. Restaurant Week. The Washington Post. Crain's Business Report. Edison Research. CNBC. Texas Institute at Texas A&M University. California Department of Transportation.