Southern California Broadcasters Association

80 Years as the Voice and Advocate for Southern California Radio
www.scba.com

The SCBA Quarterly Market Guidance Report
For Q2 2018

"Most U.S. adults spend more time with traditional radio than they do with all social media. The average daily time spent with radio in 2017 was 1 hour and 26 minutes, compared to 40 minutes on social via mobile devices and 11 minutes via desktop/laptop", according to a new survey from eMarketer.

The Southern California Broadcasters Association is pleased to publish its SCBA Quarterly Market Guidance Report, covering the vast and dynamic Southern California region for the second quarter of 2018.

This industry report is for SCBA members as well as an ongoing service for clients, advertising agencies, and media buying services that are planning to invest their advertising budgets in Southern California Radio in **the second quarter of 2018**. The report looks primarily at the upcoming quarter and provides critical insight into Radio's growth trends worth noting, advertising category trends, as well as additional market-driven insights from a variety of trusted sources.

The Southern California Broadcasters Association now represents 170-member Radio stations, covering 52,000 square miles in the ten most southern counties of California. The SCBA is also celebrating 80 years of continuous operation since 1937, making it the longest operating Radio advocacy association of its kind in the United States. For more information about the SCBA, please visit us at www.scba.com.

The SCBA Q2 2018 Market Guidance Report now includes new coverage and guidance on the competitive digital space as well as a new, in-depth analysis of critical media trends, deeper category guidance, and Radio's continued audience growth. We continue our coverage that studies a series of disruptive forces affecting our key advertising categories as well competitive factors impacting all media in Q2 2018 and beyond.

This report was written as a factual framework for clients and agencies to view the future through a prism of comparative analysis, and actual return on investment.

Today's business climate demands nothing less from all shareholders in the advertising industry. This report also includes the addition of Tijuana, Mexico in our regional economic overview due to the dynamic consumer economy of Tijuana and its short drive to San Diego.

Regional Economic Overview

Southern California's estimated gross domestic product will now exceed $1.6 trillion in 2018, making it the 16th largest economy in the world with Los Angeles County alone ranking 21st with a gross domestic product of $644 billion. The state of California is now the 6th largest economy in the world, ahead of France, and is expected to finish 2018 with a GDP of $2.8 Trillion dollars.

The economic, population, and consumer spending powerhouse for the nation is Southern California. This region can only be viewed as the largest and most lucrative advertising market for Radio advertisers looking to grow revenue, build their brands, and drive market share.

The following showcases the economic and employment strengths of our major Southern California counties;

Los Angeles 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 5.7% in 2018. Unemployment rates for 2018 will fall to 4.7%. Housing sales will accelerate to 7% in 2018 with new homes sales over 12% YTD. The median price for a home was $497,000 and is expected to climb higher in 2018. New, multi-family and rental units are expected to grow substantially in 2018.

Job gains are expected to increase in Q2 2018 in these categories based on 2017 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 projected with Asia in 2018 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. Average age in LA County: **35.3 years.**

Los Angeles County has one of the largest manufacturing centers in the nation, is a global gateway for trade and tourism, and draws entrepreneurs and risk-takers from around the world. Real GDP growth is expected to be 2.7 percent on average for the next two years, outpacing the nation, again.

Orange County: The unemployment rate in Orange County will fall to 3.3% by end of 2018. 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 18% in 2017. New master planned communities in Irvine Ranch, Great Park neighborhoods and Rancho Mission Viejo are all reporting strong sales. Average age in Orange County: **36.7 years**

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 46 million people visited Orange County in 2016 and spent in excess of $10.5 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 217,000 by the end of 2018.

Health care is a significant part of the Orange County economy. 16% of all wages and salary jobs are in this sector. More than 1.1 million square feet of new health care-related leases were signed in commercial real estate in 2017. Look for higher paychecks in Orange County in 2018 from health care, high tech, and the burgeoning Biomed and related industries in for the highly skilled and sought-after workers in this sector.

Bakersfield and Kern County: Often overlooked, Bakersfield and Kern County provide exceptional business and housing opportunities in Southern California. Kern County was awarded the state of California's economic development honor for their promotional video of the advantages of living and working in Kern County.
https://youtu.be/G2wY55Je60Qkefield
The home of Edwards Air Force base and the China Lake Naval Air Weapons Station, Mohave Air and Space Port, Bakersfield and Kern County has a population of almost 900,000 people and is heavily employed in agriculture, energy products, as well as the military and space industries. Kern County is one of the fastest growing counties within Southern California and **is California's top oil-producing county, with 81% of the state's 52,144 active oil wells.**

Additionally, **Bakersfield** is now ranked #5 nationally as the most affordable city to buy a home, and making it very affordable for teachers, first responders, and restaurant workers in 2017, according to Trulia. Bakersfield is also ranked #3 in the nation for millennial home ownership.
Cume Radio listenership has grown by 2% or 10,000 more listeners in the past 12 months. Source: Nielsen Audio, Bakersfield, Monday - Sunday, 6a-mid, Persons 12+.

Riverside and San Bernardino Counties: Unemployment rates in the "Inland Empire" are projected to be 4.9% by end of 2018. 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 144,000 workers in this growing segment of

Riverside and San Bernardino. Based on huge port activity, this category of jobs will grow by 5.9% by end of 2018.

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 2018 and beyond for this dynamic and growing region. Average Age in Riverside: **34.2 years** and San Bernardino: 32.2 years.

Ventura County: The unemployment rate is projected to be 4.8% for 2018. 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 4.0% in 2017. Total personal income is expected to rise by 5.6% in 2017. To underscore this county's growth potential, 1 out of 5 jobs will be in construction in 2018 and beyond. Retail and mixed-use development projects growing at fastest rate since 2008.
Average Age in Ventura County: **36.7 years**.

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 1.6 million by end of 2018. With 3.4 million people, San Diego County is the second most populated county in California after Los Angeles County. The projected 2018 unemployment rate will be at its lowest, down to 4.4%, 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 7th 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 2018 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.
Average Age in San Diego County: **34.9 years.**

New to the Regional Economic Overview section is a focus on Tijuana, Mexico.

A dynamic, upwardly mobile region of Mexico is Tijuana, which is only a 45-minute drive to downtown San Diego. It is the largest city in the Mexican state and on the Baja California Peninsula, As one of the largest and fastest growing cities of Mexico, Tijuana exerts a strong influence on local economics, education, culture, art, and politics. As the city has become a leading center in the country, so has the surrounding metropolitan area. Currently one of the fastest growing metropolitan areas in Mexico, Tijuana maintains global city status. As of 2017, the city of Tijuana had a population of 1,701,570.

Tijuana is located on the Gold Coast of Baja California, and is the municipal seat and the cultural and commercial center of Tijuana Municipality. A dominant manufacturing center of the North American continent, the city maintains facilities of many multinational conglomerate companies. Tijuana is now the medical-device manufacturing capital of North America. Tijuana is also a growing cultural center and has been recognized as an important new cultural mecca. The city is the most visited border city in the world; sharing a border of about 24 km (15 mi) with its sister city San Diego. **More than fifty million people cross the border between these two cities every year.** This metropolitan crossing makes the San Ysidro Port of Entry the busiest land-border crossing in the world. It is estimated that the two border crossing stations between the cities proper of San Diego and Tijuana account for **300,000 daily border crossings alone.**

Notable Regional Economic News:

- ***Blaze Pizza is getting bigger – locations, not the pies***
  Blaze Pizza, the Pasadena-based build-your-own pizza chain, already has 252 locations open in 39 states. But it's poised to become much bigger, with franchise agreements in place to develop more than 400 additional pizzerias across the U.S., Canada, the Middle East and North Africa. **(Orange County Register)**

- ***Taco Bell overtakes Burger King as #4 Fast Food Chain***
  Lovers of chalupas and crunch wraps have spoken: Taco Bell is now bigger than Burger King. The Mexican-themed chain eclipsed its burger rival in U.S. sales last year, becoming the fourth-largest domestic restaurant brand, according to a preliminary report by research firm Technomic. McDonald's, Starbucks and Subway held on to the top three spots. The company, owned by Yum Brands, has made inroads with indulgent fare, along with $1 items that appeal to budget-strapped millennials. **(Ad Age)**

- **LA ranks among top destinations people moved to in 2017**
  Moving app Updater reports that Los Angeles is the third most popular destination in 2017 for those picking up stakes and heading out of town. The most popular destination for people to move was the Washington D.C. area, followed by Dallas-Fort Worth. **(Crain's Los Angeles)**

- **Los Angeles has 6 of the top 10 "Most Packed Roadways"** in the U.S., according to The National Auto Insurance Center. The "Most packed Roadway in the U.S." belongs to the 101 from Topanga Canyon in Woodland Hills to Vignes Street in Downtown"

Southern California Commuter Traffic Congestion Increases (again)

With 88.6% 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 the INRIX 2017 Global Traffic Scorecard, average commuter time spent while driving is on **the increase again.** The institute's most recent study shows that motorists in LA and Orange Counties experience **102 hours in congestion during peak hours**.

Those 102 hours of delays is more than double the national average of 41 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; **"INRIX Traffic Scorecard 2017**."

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 and other media:

E Marketer: Consumers Spend More Time With AM/FM Than Social.

Most U.S. adults spend more time with traditional radio than they do with all social media. The average daily time spent with radio in 2017 was 1 hour and 26 minutes, compared to 40 minutes on social via mobile devices and 11 minutes via desktop/laptop, according to a new survey from eMarketer.

In its newly released, "Six Surprising Facts About the Way We Spend Our Time with Media," eMarketer notes that "conventional wisdom doesn't always match up with reality. It is common knowledge that U.S. consumers fill their waking hours with media usage—but how people split up their media time may surprise you."

In its latest estimates for time spent with media, the company explains that in revealing that adults spend much more time with non-digital radio than they do with social networks, "There's no shortage of buzz about social media. There's next to none about radio."

Among other findings, eMarketer suggests that we are in a period of gradual change—not of wild volatility—in the ways U.S. adults spend their time with media. With smartphone penetration expected to gain less than a single percentage point per year by 2020, media consumption is in something of a lull until the "Next Big Thing" comes along, the company says.

Among the media categories for which eMarketer gauges time spent, there aren't any it anticipates will see double-digit increases or decreases next year. Mobile video comes closest, with an 8.7% rise expected; while overall, time spent with digital media is expected to grow a modest 3.5%.

The company also found that despite the ascent of other social networks, U.S. adults are slightly increasing the amount of time they spend on Facebook. Calculated across the whole adult population, daily time spent with Facebook is expected to rise from 25 minutes in 2017 to 26 minutes in 2018 and 27 minutes in 2019.

Infinite Dial: Has Social Media Lost Its Cool Factor?

After more than a decade of steady growth, it appears the party lights have dimmed at Facebook. The portion of Americans 12+ using the social media staple has declined in 2018, from 67% last year to 62%, according to the Infinite Dial study released last week from Edison Research and Triton Digital. READ MORE

Borrell: More Advertisers Will Increase Their Radio Budget Than Cut It.

More local advertisers (12%) plan to up their radio budget than cut it (10%) while the vast majority intend to make no changes to their radio spend, according to a new survey of 3,511 advertisers by Borrell Associates. "A whopping 78% of advertisers aren't bowing to pressure to cut their radio spending, and, in fact, 12% plan to increase their ad budgets," says Borrell Associates CEO Gordon Borrell. "Only 10% plan to cut. Sounds like a big vote of confidence." READ MORE

BIA/Kelsey: Local Ad Revenue to Hit $174B; On Rise Through 2021.

Local advertising revenue is predicted to see a slow and steady uptick for the next four years, with a compounded annual growth rate of +4% by 2021. That will result in an increase from $148.77 billion this year to $174 billion, according to new figures released by BIA/Kelsey. READ MORE

GroupM Forecast: U.S. Ad Market Slows, Radio Grows.

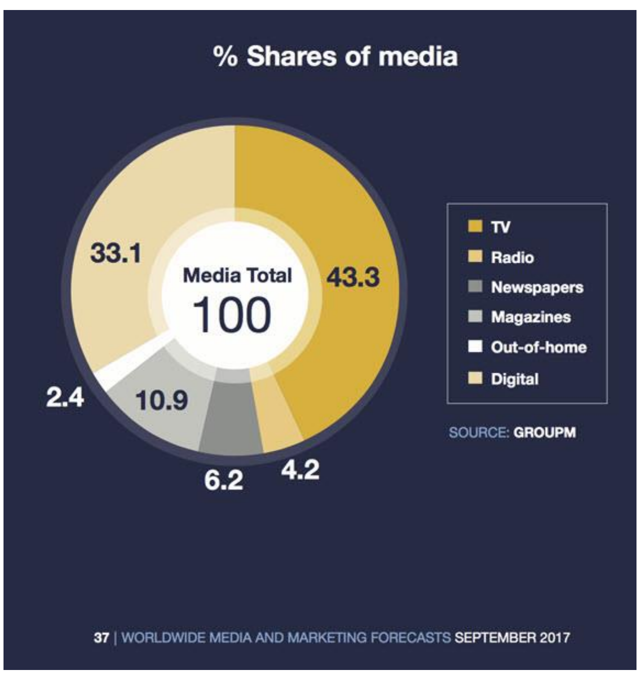
While the overall U.S. ad market is slowing slightly, radio holds steady. In a new forecast, media agency GroupM is revising its outlook for the U.S. market downward, estimating total spend will grow 2.2% this year, down from an earlier prediction of 2.6% issued in Dec. 2016. The agency says radio will grow 3% this year and 3% in 2018. READ MORE

GroupM Projects Overall Ad Market slowing slightly as Radio holds Steady

While the overall U.S. ad market is slowing slightly, radio holds steady. In a new forecast, media agency GroupM is revising its outlook for the U.S. market downward, estimating total spend will grow 2.2% this year, down from an earlier prediction of 2.0% issued in Dec. 2016. The agency says radio will grow 3% this year and 3% in 2018.

A combination of sluggish GDP growth and declines in print spending accounted for the revised estimate for the overall ad market, GroupM explained. At a time when companies are examining their media spending and return on investment, GroupM says brands are trying to reduce expenses and increase efficiency.

“Marketers continue to study their investments in traditional media, and have increased their scrutiny of all phases of digital, with an emphasis on view ability, verification and value. As investment in digital grows, this scrutiny is likely to increase,” the report notes.



Like other advertising forecasts, GroupM expects digital to continue to post impressive growth. In 2016, GroupM says U.S. digital media attracted $52.2 billion in ad spending, and that figure will grow to $56.77 million this year and $62.5 billion by 2018. In contrast, the total U.S. ad market was $178.8 billion last year and will be $182.8 billion this year and reach $189.1 billion in 2018, the report says.

GroupM adds that TV still grabs the largest share of ad dollars, collecting $77.9 billion last year, and it's predicted to garner $79.5 billion this year and $81.9 billion in 2018. Radio generated $7.4 billion in ad revenue last year and is on track to hit $7.6 billion this year and $7.85 billion in 2018.

Zenith Media offers its own Global Ad Market Projection…

Given current global economic uncertainty, advertising agency Zenith Media is cautioning that the global ad market will grow slightly less than it anticipated, while reconfirming that the U.S. ad market is moving in a positive direction. Strong demand for popular digital formats, including social media and online video, are helping to fuel much of the growth, the agency says.

Zenith says the global ad marketplace will grow 4% this year to $508 billion, down from its earlier prediction of 4.2% growth. In North America, Zenith says the ad market will grow 3.6% this year and continue on at an average 3.4% growth rate through 2019. The U.S. will be the largest contributor of new ad dollars in the world over the next three years, accounting for 29% of extra ad spend or $19.85 billion.

Overall, the U.S. represents the largest ad market in the world with $190.8 billion in 2016, and, by 2019, Zenith expects that figure to hit $210.6 billion. China is the second largest market, but a distant follower, with $74.96 billion in 2016 and reaching $90.1 billion by 2019.

Worldwide, digital is the driving force behind most of the positive gains. Digital has become so powerful that Zenith says 2017 is the year that digital advertising will overtake television to become the largest advertising medium. Digital will claim 37.2% of all global ad spend this year and hit 42.2% of all ad billings by 2019, Zenith predicts. Digital advertising increased 18% in 2016 and is expected to tick up about 12% each year through 2019. "As internet advertising matures, its growth is slowing down, but it remains the fastest growing medium by some distance," the report notes.

Within digital, display advertising—which includes traditional banner ads as well as newer formats, social media and online video—is the fastest-growing category, expected to rise 14% annually through 2019. Zenith says display advertising has received a boost from programmatic buying, "which allows agencies to target audiences more efficiently and more effectively, with personalized creative," the report says.

Online video is projected to grow 21% on average through 2019, while social media increases by 20% each year. As more high-quality video becomes available online and viewing experiences improve on mobile devices, Zenith says online video advertising is becoming a more dependable option for marketers. And with social media a top mobile use, advertisers are eager to connect with users on their favorite social platforms.

“For many consumers, checking their mobile devices for social media has become a regular, ingrained habit, while social media ads blend seamlessly into their mobile app news feeds,” the report notes.

And while paid search and online classified ads are not enjoying the same ferocious growth as display, they are still tracking in a positive direction, with search expected to grow 10% a year and classifieds up 7%, Zenith says.

Mobile is quickly becoming the dominant platform in internet advertising, accounting for $80 billion or 44.6% of digital ad spending last year, and 15.2% of total advertising expenditures. By 2019, Zenith says mobile will reach $156 billion and account for 62.5% of all digital advertising and 26.4% of total advertising spend.

And another view from the Strata Agency Survey…

Perhaps due to the lack of a world event—a World Cup or Olympics—and the end of last year’s unprecedented political campaigns, Madison Avenue seems to be feeling a bit of uncertainty about the rest of the year. According to a new survey conducted by Strata Agency Survey, the number of advertising agencies anticipating slower growth in the second half of 2017 compared to the first half has increased a whopping 158% from the previous quarter.

“The advertising economy quarterly results, at first glance, are pretty bleak. However, when put in perspective, 2016 was a banner year with the US Elections and the Olympics,” said Judd Rubin, senior VP at Strata. “Even without general economic uncertainty it would be difficult to sustain that type of growth.”

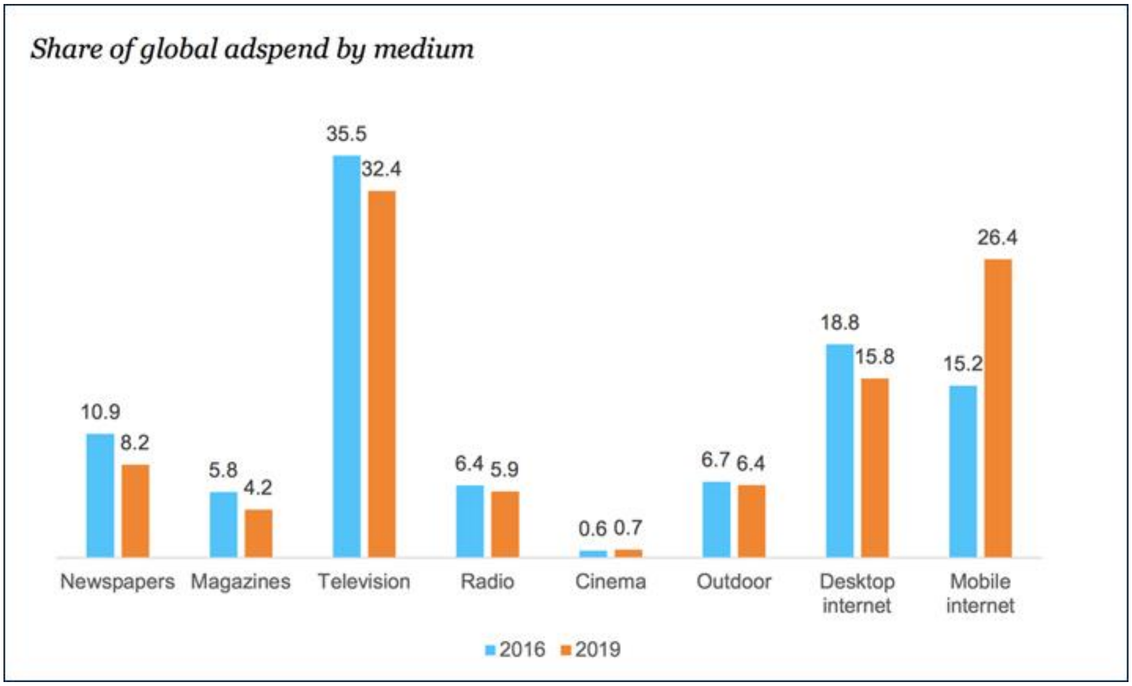
But there’s plenty of good news, as ad agencies’ focus on traditional media remains strong. A robust 63% report that their client’s interest in radio remains the same compared to last year. The same can be said for network TV & cable at 66%, and local TV and cable at 62%.

When it comes to projected platform use, social media has seen a shakeup, according to the Strata data. Facebook remains on top, with 97% of ad agencies intending to use it for clients, but Instagram’s projected usage has risen to 64%. YouTube has fallen to third, with 60%, and Twitter remains fourth, with 38%.

Despite these shifts, ad spend on social media has not moved significantly. While 22% of agencies allocate 11-25% of their budgets on social, 74% plan to spend less than 10%.

In other forms of media, 76% indicated that their clients were showing a greater interest in digital video, while 78% reported a growing desire to advertise more on mobile. Nearly half (46%) of agencies also reported that clients were curious to explore new live streaming technologies such as Facebook Live to spread their campaigns.

Among other statistics Strata revealed: 41% said winning new business is their main concern, while 23% reported client spending as their biggest concern. In addition, 66% of agencies expect their budgets to stay the same or decrease, while 28% expect an increase. Only 25% anticipated the need to expand staff, a 35% decrease compared to the previous quarter.



The above chart from Zenith Media tracks a disturbing trend line, based on their research.

At the same time, traditional media is seeing its share of advertising spend slip. Television, which represented 35.5% of all ad expenditures last year, will drop to 32.4% by 2019, while radio falls from 6.4% to 5.9% in the same period. Newspapers will decline to 8.2% from a 10.9% share, while magazines dip from 5.8% to 4.2%. (Zenith's figures for newspapers and magazines only apply to their print properties and do not include any digital extensions.)

In one unusual take on advertising categories, Zenith says if television and online video are bundled together as audiovisual advertising, it creates a dominant force in the industry. Zenith says this audiovisual category accounted for 48.5% of display advertising in 2016, up from 43.7% in 2010, and is forecast to claim a 49.3% share in 2019.

Looking specifically at automotive advertisers, BIA/Kelsey reports this segment will spend $16.3 billion on local advertising this year and AM/FM radio will garner a 10% share of that money, according to a new report from BIA/Kelsey.

According to the latest report, broadcast television will grab the largest share of auto ad dollars, commanding a 32.4% share, but digital media represents the fastest-growing ad category for auto.

Procter&Gamble

After a decades-long absence, Procter & Gamble is back in business with radio. One of P&G's top media and marketing execs said the company will increase its new plan to spend on radio—but the medium will need to deliver results to remain part of its media plan.

"We are spending more and you're going to see more in the next couple of quarters," John Fix, analyst/manager—North America Media & Marketing at P&G, told a packed room of broadcasters during his first appearance at a radio event.

The consumer-packaged goods giant has been advertising on broadcast Radio over the past several months for some of its biggest brands. But, said Fix, "If at the end of fiscal, I haven't coordinated a way to make the brands feel good about their investment, next year won't be as active." As the world's largest advertiser, P&G invests billions of dollars in media time. But it and other CPG giants have grown frustrated by narrow digital-ad targeting. P&G wants to speak to everyone, not a narrow target, Fix explained, which is why it has rediscovered Radio.

Q2 2018 poised for even further growth as Broadcast Radio expands its listenership:

- Weekly cume and average time exposed (or TSL) has increased again for Southern California over the past year, making AM/FM Radio the only media to show engagement and usage growth. This includes local TV, Pandora, and all other measured media.

- Latina women are a fast-growing group with significant influence and buying power, and marketers seeking this coveted demographic should look to their ears. AM/FM radio reaches 94% of Hispanic women, who listen to more radio than the average American woman. Also, a growing number of Hispanic women listen to digital music on mobile devices, opening a new avenue for brands.

- According to a new report by Nielsen, "**Latina 2.0:** Fiscally Conscious, Culturally Influential & Familia Forward," 18 million Hispanic women listen to terrestrial radio weekly, tuning in for an average of 13 hours and nine minutes per week, compared to an average of 12 hours, 52 minutes for non-Hispanic women.

- A recent 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.

- **BIA/Kelsey projects** that for 2017, Radio and its online platforms will garner 10.5% of the projected $148.8 billion-dollar local ad pie.

- 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 Q4 2017.

- 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:

Southern California Radio is in the midst of an impressive 4-year listener growth trend:

Southern California Radio's growth is even <u>more impressive</u> 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 Southern California according to Nielsen.

Source: Nielsen Regional Database, ***Southern California***, Monday – Sunday, 6am-mid, Persons 12+.

	Fall 2014	Fall 2015	Fall 2016	Fall 2017	% Change 2014 vs. 2017	# Change 2014 vs. 2017
AVG WK Cume	17,275,200	17,567,800	17,610,700	17,516,600	1.4%	241,400
Weekly TSL	9:45	10:15	10:45	10:15	5.1%	

The SCBA views this continued listening and average time exposed growth rate for Southern California Radio as further proof that Broadcast Radio remains a **consistently growing and popular medium. You can view this data and much more audience growth research for AM/FM Radio at www.scba.com**

Southern California Radio is in the midst of an impressive 4-year listener growth trend:

Now let's take a closer look at the steady and impressive growth in actual Radio listenership for the Los Angeles and San Diego metro areas alone as well as the critical Average Time Exposed data according to Nielsen Audio.

Source: Nielsen Audio, ***Los Angeles Metro***, Monday – Sunday, 6am-mid, Persons 12+.

	Fall 2014	Fall 2015	Fall 2016	Fall 2017	% Change 2014 vs. 2017	# Change 2014 vs. 2017
AVG WK Cume	10,442,300	10,613,200	10,645,300	10,493,200	0.5%	50,900
ATE	2:00	2:00	2:15	2:00	0%	

Source: Nielsen Audio, ***San Diego Metro***, Monday – Sunday, 6am-mid, Persons 12+.

	Fall 2014	Fall 2015	Fall 2016	Fall 2017	% Change 2014 vs. 2017	# Change 2014 vs. 2017

AVG WK Cume	2,505,800	2,514,200	2,508,600	2,570,700	2.6%	64,900
ATE	1:45	1:45	2:00	1:45	0.0%	

The SCBA views this continued listening and average time exposed growth rate for Southern California Radio as further proof that Broadcast Radio remains a **consistently growing and popular medium. You can view this data and much more audience growth research for AM/FM Radio at www.scba.com** We also encourage our readers to learn more about Radio's powerful ROI. This is a compelling regional research presentation commissioned by the SCBA.

AM/FM Radio in Southern California remains a powerful medium that keeps attracting both considerable audience growth and loyalty despite so many entertainment and information options for today's listeners.

Southern California Radio Category Trends and Data

The SCBA examines and tracks 31 key advertising categories and industries. Our analysis includes opportunity factors for each sector as well as disruptive industry patterns that could change business models and growth assumptions. We supplement that data with both local Radio management input and selected 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 Q2 2018 by also comparing Q2 2017 activity with projected Intel for Q2 2018 and current market conditions by category.

The SCBA has expanded its analysis of the auto ad category with this Q2 2018 Guidance Report. The documented "softer" year for the automotive industry has meant 12 months of auto sales declines on a national basis. Other troubling factors include: rising "days on lots" inventory that now exceeds 78 days on average, dealer and factory incentives that through January 2018, averaged $4,900 per vehicle, the largest number of discounts since 2009. U.S. Consumer debt on outstanding auto loans now exceeds $1.1 trillion dollars, the largest amount ever. Additional concern is focused on the growing prime and subprime auto loan consumers with FICO scores below acceptable financial levels. It has become clear that numerous disruptive forces have impacted the auto industry in 2017 with a flat to down year projected for 2018.

To protect the interests of Southern California Radio's largest ad category, and to propose and advance a more effective media allocation to attract more qualified auto customers, The SCBA partnered with Nielsen Audio to conduct the first ever regional research study on consumer behavior and media choices when buying new and used vehicles in Los Angeles and San Diego.

"This groundbreaking study provides concrete evidence of broadcast radio's ability to reach and motivate millions of auto buyers in Los Angeles and San Diego." *— Brad Kelly, managing director, Nielsen Audio (FULL STORY)*

The compelling study entitled; **"The Path to Automotive Purchase"** examines the vehicle buying habits of actual auto customers over the past 1-2-year period in both Los Angeles and San Diego. The findings of this study were revealed before auto clients and SCBA members in a special presentation on 6/7 in LA and 6/8 in SD before capacity sized crowds. For a complete review of this powerful research study for either market, please visit http://www.scba.com/The-Power-of-Radio where video of the LA event and PowerPoint is available.

Our efforts to address media reallocations based on this research has launched a national campaign of awareness to the auto industry beyond Southern California. Over the past several months, the SCBA has lobbied the auto industry and its agencies to re-think and re-purchase their media from a much different perspective.

SCBA Observation: It is clear the auto industry and its dealers will face higher costs to reach their customers than ever before, especially with the ongoing headwinds hitting the industry in 2018. ***We urge all of our automotive clients to review their marketing and advertising plans*** for 2018 and look to true ROI as the filter for all media to be judged through. The SCBA is available for consultations as requested.

"The Local Path to Automotive Purchase" requires all automotive clients to review and act on actual consumer behavior facts. Please find the complete study for both LA and SD at www.scba.com.

The SCBA has analyzed the following 31 key advertiser segments and subsets. Based on market and industry research, seasonality, and historical revenue trends, the SCBA projects the following potential spending trends for Q2 2018 from these categories for Southern California Radio. Our enhanced membership merger with San Diego market has, in most cases, created two projections due to the unique market aspects of the two MKA monitored markets.

- **The Auto Category:** Radio's largest advertiser category is automotive, which includes dealers, dealer groups, and the manufacturers. As reported above, there are disruptive market factors impacting the sector. Based on current market conditions, we project an average adjustment of -3% for tiers 2 and 3 for Los Angeles and -4% for San Diego for tiers 2 and 3 for the Q2 period of 2018. The inconsistent ad trend line for tier 1, or EOM's budgets, are planned and purchased largely out of the control of Southern California Radio so any projections are with risk. Please see our new research study on today's automotive customer, **"The Path to Local Purchase**" at www.scba.com

- **Please note:** Gasoline prices as of this writing, are hovering in LA in a wide range of $4.11 to $4.29 and in San Diego at an average of $3.31. Consumer demand is slowing for the big SUVs and is moving now towards smaller SUVs and light trucks. If this trend continues and gas prices keep rising, the industry will need to change sales strategies quickly.

- The **Beverages** category is now actively tracked by the SCBA. The term Beverages is largely made up of Beer, Sodas, bottled waters, and flavored drinks and juices. Q2 will usher in baseball, warmer weather, and Memorial Day weekend events and trend lines indicate another strong quarter for beverage spending in Radio. Q2 LA growth is projected at 8.3% and SD at 6.6%.

- Another new SCBA category to watch is **Foods**, a sector made up of larger national and regional food products such as Nestle Foods, Boars Head Meats, Dole Foods, and General Mills. Ironically, while the grocery category is in disruption, the Foods group remains a consistently strong Radio advertiser in Southern California. We project 6.4% growth in Q2 2018 for LA and a 2.5% increase for SD.

- **Insurance** remains a solid and growing Radio category. This segment largely consists of auto, home, and life insurance offers and provides a highly competitive pricing environment. With over 18.1 million vehicles registered in Southern California, auto insurance is a massive industry and the focus of most insurance companies in this segment. The Insurance category should grow by 5.7% in LA and 3.1% in SD for Q2 2018.

- **Sports/Expos/Shows** is also new to the SCBA category analysis. This segment will continue its growth from sustained sports team advertising from The Angels, Dodgers, Ducks, Clippers as well as various events, concerts, and ticket brokers such as Stub Hub. The entertainment segment for Southern California is a 12-month phenomenon, unequalled anywhere in the country. LA growth is projected at 7.3% and 4.4% for SD for Q2 2018.

- **Professional Services** which consists largely of attorney services will demonstrate explosive growth in Q2 2018. A significant trend that continues in 2018 will be legal advice and counsel for immigration issues as well as the burgeoning personal injury and environmental health claims in Southern California. With recent federal efforts to reduce immigration, an uncertain future for "Dreamers", and the executive action that currently protects them from deportation called DACA and growing legal and personal bankruptcy challenges for Southern California residents, we project steady Q2 spending for personal and family legal services with growth rates of 3.3% for LA and 3.1% for San Diego.

- **Financial Services**, which consists primarily of personal consumer credit counseling and debt relief consolidation firms, will continue its growth in Q2 with a 2.8% increase for LA and 2.2% increase for San Diego in Q2 2018. The consumer affairs division for California lists 162 approved credit counseling service firms in Southern California alone. This does not include banks and credit unions which are also entering this growing consumer segment. Additional new online financial services for this sector will grow further in Q2 2018. Total household debt in the U.S. for January 2018 has hit a new record high of $13.5 trillion dollars. This is the sign of an improving economy and consumer confidence. It also means the consumer will go deeper in debt in Q2 2018 fueling the growth of these debt reduction services within this segment.

- **Home Furnishings/Home Flooring:** With existing home inventory extremely tight and real estate prices on most homes now at a 17-year high, Southern California home owners, condo owners, and renters are investing in home furnishings and flooring as plans for moving keep being delayed due to a very expensive housing market and unfavorable real estate tax rates for those buying new properties in California. This segment will grow by 3.3% for LA in Q2 2018 and 3.0% for SD in the same period.

- **Home Improvement:** The housing and affordability crisis in Southern California will continue to benefit the home improvement sector as home and condo owners remain in their current homes and look to upgrade and/or enhance their current address. This $315 billion-dollar industry remains robust in our region with 70% of this revenue coming from residential spending. Of this, 35% is spent on property improvements and exterior upgrades, kitchen upgrades 11.6%, bath remodeling, 9.1%, and systems upgrades 13.4%. We project a 2.8% increase for Los Angeles in Q2 and a 2.2% increase for San Diego in Q2 2018.

- **Please note** that the devastating wild fires that hit Southern California has left numerous areas still in a rebuilding mode, driving the category to more demand.

- **Cellular Carriers** ad spending in Radio slowed in Q1 as the industry absorbed continued losses from discounted data plans but the SCBA now projects an increase for Q2 2018 as the spring season will increase data usage 23% for the average smartphone consumer and comparison shopping has intensified with the release of the new iPhone 8 and X as well as Apple's enhanced iWatch which acts like a cell phone. Cellular data plan pricing has dropped 12% through December 2017 YTD, its second largest decrease in 18 years. T-Mobile began the price wars in 2013 by eliminating two-year contracts and moving to month by month fee plans. Sprint and AT&T followed the pricing model with similar, various plans. Verizon was the last major carrier to drop the data pricing plans in the face of industry price slashing. Additionally, carriers no longer subsidize the cost of new phones, which has curtailed data plan upgrades and forcing consumers to use their current phones longer. This is a highly volatile and competitive space which indicates the competing carriers will be attacking Sprint's continued current erosion of customer share. Based on these dynamic market factors, the SCBA projects a 2.2% increase in LA and a 1.4% increase for SD in Q2 2018.

- **Restaurants, which include all fast food and quick and casual restaurants** remain a growing and year-round AM/FM Radio advertiser with an impressive 2017 YTD growth rate of 15.9%. With so many burgeoning restaurant choices in much of SoCal, expanding locations for most major chains and same store sales up through October 2017 for most national brands, volume dining habits will continue strong in Q2 2018. This category should expand by 2.0% in Q2 2018 for LA and 1.4% for San Diego. **Please note:** Southern California has run contrary the national trend that is less dining out by the American public as grocery prices vs. eating out prices gain parity. That trend remains outside of California.

- **Healthcare** continues its downward direction as health insurance companies pulling out of the ACA and the uncertainties of the marketplace in California have created erosion in this sector. Providers will be challenged to offer services based on price as health insurance costs in California continue their rapid rise on average of 15% annually. We project a negative variance in Q2 of -6.3% for LA and -4.1% for San Diego. This projection could change significantly if federal health care laws are changed, but for now, the SCBA remains cautious on this segment.

- **Television/Networks/Cable:** This category continues to suffer from disruptive factors for Southern California viewership as well as for the entire country; impacting appointment TV and its negative growth rate on advertising for AM/FM Radio. Based on the trend lines for TV and cable companies, we see further erosion of -3.8% for LA and -1.2 % for San Diego.

- **Casinos/Lotteries:** As more casinos open and expand operations with more rooms, gambling events, and spas in our region, and the increased entertainment value of booking major music talent and special events grows, we project more regional travelers for the spring months to casinos during the Q2 period. There are 27 Indian owned casinos operating in Southern California and while there are no completely documented revenue numbers, industry sources estimate the industry will generate $8.4 billion dollars in 2018 in Southern California and directly employ 23,300 people. With current market conditions factored in, the SCBA projects an average 2.7% increase in spending on AM/FM Radio for Q2 2018 for LA and 3.1% growth for San Diego.

- **Groceries/Convenience**: We continue to project significant disruption for the grocery industry in Southern California in Q2 and quite frankly, for the foreseeable future. The Amazon purchase of Whole Foods, Inc. is just one of a number of factors impacting the Grocery chain segment. Additional disruption from food stamps being used the same as cash online, which will now be accepted by six online grocery delivery services, including Amazon, in Southern California. The industry is suffering from price deflation throughout our region with basic food pricing down, and as a result, intense competitive pricing. Our region will see another loss for AM/FM Radio in Q2 for this category. With deep discounter Aldi's 45 locations, home delivery now promoted by all major chains, and the intense price wars for grocery staples only heating up more in the Q2 spring holiday period, we project this explosive category to be in transition by -13.7% in LA and -8.8% in SD for Q2 2018. We urge grocery clients to read our Category Alert on the Grocery business at www.scba.com for more details.

- **Education**: The continuing education sector is poised for growth in Q2 2018. Among the drivers in this category include the expansion of the red hot 13-16-month online MBA programs now offered throughout Southern California. With MBA online programs costing $15,000-20,000 on average and more, the need to recruit credit worthy candidates is critical. This is a particularly competitive subset of the sector and recruiting new students for the spring enrollment period has begun. Increased enrollment in nursing schools, Physician Assistant programs, bio medical extension training, Nurse Practitioner degree programs, technical training centers, and IT training and retraining centers will see increased activity and competitive student recruitment for Q2 2018 as the medical health field's demand for trained workers continues unabated. We see a 4.1% growth for LA and a 3.4% increase for SD.

- **Personal Fitness/Weight Centers**: This category continues to grow and is now a more year-round advertising category as personal weight control centers are no longer seasonal and personal fitness centers are more targeted to group classes, specialized exercise, health plans, and personal trainers. Businesses are expanding their offer to share the cost of health clubs with their staffs, providing a more year-long category as opposed to a heavy Q1. Our seasonally adjusted projection for LA in Q2 is a 2.5% growth rate, with San Diego growing by 2.1% increase for the second quarter of 2018.

- **Oil and Gas: The average price of unleaded regular** gasoline, as of this writing in Los Angeles, is about $4.19-$4.30 a gallon, this increase will intensify the highly competitive gas/convenience location business throughout Southern California. Within this category there are 124,000 gas/convenience stores in the U.S., making up 80% of all fueled purchased. Gas sales are just a loss leader to this omnipresent retail segment as same store profit margins on beverages, quick foods, coffee, snacks etc. is a staggering 46% on average in 2017. With longer over the road trips, longer commuting times due to traffic congestion, we see the gas and oil category rising to 3.1% in LA and 2.7% in SD for Q2 2018. Please note: The increased price of gas is already impacting SoCal larger truck sales with a move towards smaller SUVs and light trucks. **Please note**: With 51% of all plug-in vehicles in the country now sold in California, and with total electric vehicle sales increasing by 21% in 2017, traditional gas stations profits are evolving and marketing that image change to reflect environmental sensitivity will be the industry's challenge going forward, at least in Southern California.

- **The Internet/e-Commerce Category**: Brick and mortar retailers are highlighting their e-commerce sites as are grocery chains and mass merchandisers. A volume of new apps, games, and lifestyle web sites will launch from Southern California using AM/FM Radio as a critical reach and awareness component. Newer non-retail categories are returning to AM/FM Radio for awareness and recognition instead of digital platforms and/or networks that offer impressions but negligible ROI. We see this trend continuing in Q2 2018 at a seasonally adjusted overall regional rate of growth for Q2 in LA of 1.4% and San Diego at 1.6%.

- **Department Stores/Discount/Shopping Centers**: Another category experiencing considerable erosion due to forces outside of AM/FM Radio's control, mainly from the Internet and powerful I-retail monster, Amazon. The retail sector stocks have been hit hard in 2017 and based on market Intel and retail feedback, we project a seasonal correction of -10.1% for Q2 2018. **However,** San Diego is clearly the **outlier in this equation** as its proximity to Tijuana, Mexico demonstrates. Thousands of Mexicans cross the border every day to do their shopping in San Diego. San Diego offers a short drive from Tijuana as well as a greater variety of goods and services. We see continued growth of 3.1% for the robust retail trade on the border in San Diego.

- **Drug Stores/Pharmaceuticals** will remain a consistent and growing ad category for Radio in Q2 for Southern California. Two primary reasons for this growth include over 700 drugs that were previously only available by prescription 10 years ago have been reclassified now by the FDA as safe for the counter (OTC) purchase. The" RX to OTC" conversion rates will increase further as the FDA is focused on the individual making their own health choices at more reasonable rates. The largest selling segment of this market is in the nicotine prevention products. The Patch, Gum, and other quit smoking products are now available over the counter and without a trip to the Doctors office. Additionally, drug stores have expanded their offerings with larger food selection, electronics, and non-drug merchandise. Drug store retail traffic counts are 19% higher during the spring months due to flu shot visits and changing allergy issues as the season changes. We project a 1.8% increase in Q2 for LA spending and a 1.0% increase for San Diego. **Please note**: The CVS purchase of Aetna Health for $69 billion dollars will significantly change the relationship between drug retailer and health insurance providers. We see considerable consolidation in this sector by Q4 2018.

- **Computers/Office Furniture/ Equipment and Supplies** will continue its remarkable growth pattern for AM/FM Radio in Southern California. This sector mirrors the overall growth of our region's jobs, economy, and a high occupancy rate for office space and business parks needing equipment, computers, and office furniture. Southern California is also experiencing record setting commercial building construction not seen since 2007. Office space rental applications have grown 9% YTD through December 2017 for LA, and 13% for SD applications. Demand and growth for office space and equipment will increase by 2.0% regionally in Q2 2018.

- **Heating/Air Conditioning** will continue its growth pattern in Q2 2018, much like the home improvement sector. Based on seasonal demand for new A/C repairs, service contracts, and continued remodeling of existing houses and apartment complexes, we project this category to grow 2.8% for our region in Q2 2018. The continued unusual weather patterns in Southern California will also drive more volume to this sector.

- **Auto Parts/Service:** This sector is entering its peak season to a potential service market of over 18.2 million registered vehicles in Southern California. (DMV, December 2017) With the average age of vehicles still on the road today at 11.3 years, and daily commutes increasing by 12 minutes every year, wear and tear and auto parts and service are critical to the driving experience. With EOM's using synthetic oils, and improved powertrains, service intervals are being extended. However, auto parts, accessories, and high-performance options remain very popular with Southern California drivers. Adjusting for the busy spring season, we see 2.2% for LA and 2.0% for SD in Q2 2018.

- **Hotel/Motel/Resorts** business has been very solid as tourism and a much stronger 2017 economy has driven more tourists, travelers, vacationers, conventions, and business meetings to Southern California. For 2018, we see that trend continuing. However, we see seasonal spring adjustments for Q2 in San Diego at 1.8%. We project LA at 2.4% for the quarter.

- **Lawn and Garden's** traditional peak consumer buying season will begin to tail off in Q2 as spring gardening and yard and garden planting will almost be completed. We see a larger, seasonally adjusted rate with this sector due to tighter housing inventory, and increased home and garden improvement trends for Southern California. Retailers will be focused on marketing the more profitable gating, trellis work, and the continued SoCal drought - focused yard environments. Projecting a 1.5% increase for the region in Q2.

- **Security systems** will be a continuing growth segment for AM/FM Radio in Southern California. A continuing crime wave on personal property is being reported for LA with a troubling 15.5% increase in property crime rates in 2017 and a 9.9% increase in San Diego in 2017. This negative news will only heighten public fears for personal protection for the home. New technology security systems will be introduced with higher margins for firms, and new products to further protect homes, only increasing ad spending. We see LA spending increasing by 3.0% for LA and 2.2% for San Diego in Q2 2018. **Please note:** Consumer demand for self-installed security systems will grow in 2018 as the industry introduces more technology-advanced detection systems.

- **Recruitment/Employment** will regain its strength as a Radio advertising category after a brief lull in 2017. With regional unemployment rates going down and a more robust job market, we see recruitment advertising accelerating as new budgets and new jobs appear in Q2 throughout the region with a 3.0% increase for Q2 2018 for LA and 3.1% for SD. Health industry recruitment remains red hot. That includes LPN Nursing jobs, Nurse practitioners, PT and OT workers/therapists, and a variety of in-home health care workers will be in high demand in Q2 2018 and beyond for our region.

Important: A much tighter job market will increase recruitment budgets as open positions remain open longer due to competitive hiring trends in Southern California. Special focus on primary and secondary physical health and mental health care open positions should be largest subset of this sector.

- **Appliances/Electronics** have seen rapid growth as an advertising category due primarily from new product introductions, enhancements to existing product lines, and consumer demand for newer products. The market share for Small domestic appliances such as coffee makers and toasters were projected to grow by 20% nationally by end of 2017. Products that are "home connected" as well as tablets (12% growth) and smart phone demand for 3D enhancement technology will grow to a $4.4 billion-dollar market by 2020. Appliances and all forms of electronics are sold everywhere, which also increases availability, distribution, and product comparisons which benefit the consumer. We see a Q2 seasonal adjustment growth rate for our region of 3.1% for LA and 3.0% for San Diego.

- **Jewelry stores/Pawn Shops** have been added to our category analysis based on its explosive growth from San Diego and more modest but consistent growth from LA. With a robust economy, higher consumer debt, and the constant cross-country border shopping from Tijuana to San Diego, this category, covering both ends of the economic status of consumers, will grow by 3.3% in Q2 for SD and 2.5% for LA.

- If there is a particular industry not listed that you or your company 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.

- https://www.thestreet.com/story/14024214/1/btig-s-greenfield-pandora-investors-are-sick-and-tired-and-want-a-sale.html?puc=yahoo&cm_ven=YAHOO

- The above link details the exit strategy Pandora must pursue to leave the business.

- **AM/FM Radio remains the overwhelming choice for in-car audio listening**, despite the various choices available for today's in-car listeners.

- **One More Reason to invest in AM/FM Radio**. Ad blocking poses serious threat to Google and Facebook advertisers.

- Radio's **massive reach now stands at a** recorded an all-time high of 266 million 12+ listeners.

- With 12 hours and 48 minutes of weekly usage, **Radio** is the third most used medium tracked by Nielsen. Broadcast Radio outperforms Internet access from a computer, time-shifted TV, game consoles, DVD/Blu-ray devices, video on a PC, and multimedia devices. (Source: Nielsen Total Audience Report, Q2 2017).

- 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.

- And finally, we urge everyone to read the latest blog post from SCBA President Thom Callahan, which is entitled, ***"Rage Against the Machines".*** This factual post about real media comparisons is recommended reading for your attention and consideration. Here's the link; https://scbaradio.com/ which is part of a series of posts called "Listening for Radio" at www.scba.com

- Please visit www.scba.com for a variety of topics and information regarding the compelling case for AM/FM Radio in Southern California as an effective and efficient audio and digital platform.

Expanded Digital Information:

We have expanded our coverage of non-Radio digital platforms and begin this series with some serious issues facing digital and the concern it should raise for advertisers:

HACKERS HAVE INFUSED NEW MALWARE IN GOOGLE'S DOUBLCLICK ADVERTISING SERVICE

Hackers have infused new malware in Google's DoubleClick advertising service to serve ads to consumers that contain cryptocurrency mining software or better known as "Coin Hive Miners".

So, what does that mean?

Coin Hive Miners is malicious software that often gets downloaded from an infected website or comes bundled with other legitimate software, and which may collect the user's sensitive personal information, open the door to other Coin Hive Miner or viruses and interfere with stable system performance. Spyware and adware are subtypes of Coin Hive Miner that serve a specific purpose, just as their names suggest. **Many malicious programs are designed to be unnoticeable at first, making it hard for the user to trace them to the source.**

This means that client ads served in certain countries through **DoubleClick beginning on 1/18/18** may have contained nasty new malware that can destroy cellphones using the Android platform as well as "mine" personal data from Phones or PC's, and create fictitious Apps. The malware -- **reported by the Trend Micro Security Intelligence Blog,** showed after an increase in traffic to five malicious domains on January 18 and all came from DoubleClick. The security company detected an increase of nearly 285% in the number of Coin hive miners on January 24. For more information, click here .

Mining cryptocurrency through ads is a relatively new form of abuse that violates Google's **policies**, and one that the company has been monitoring closely, according to a Google spokesperson. "We enforce our policies through a multi-layered detection system across our platforms which we update as new threats emerge," per a Google spokesperson. "In this case, the ads were blocked in less than two hours and the malicious actors were quickly removed from our platforms." The problem is that for at least two hours, thousands of web sites, You Tube video ads, and Android users may have been infected and users won't know it until it's too late.

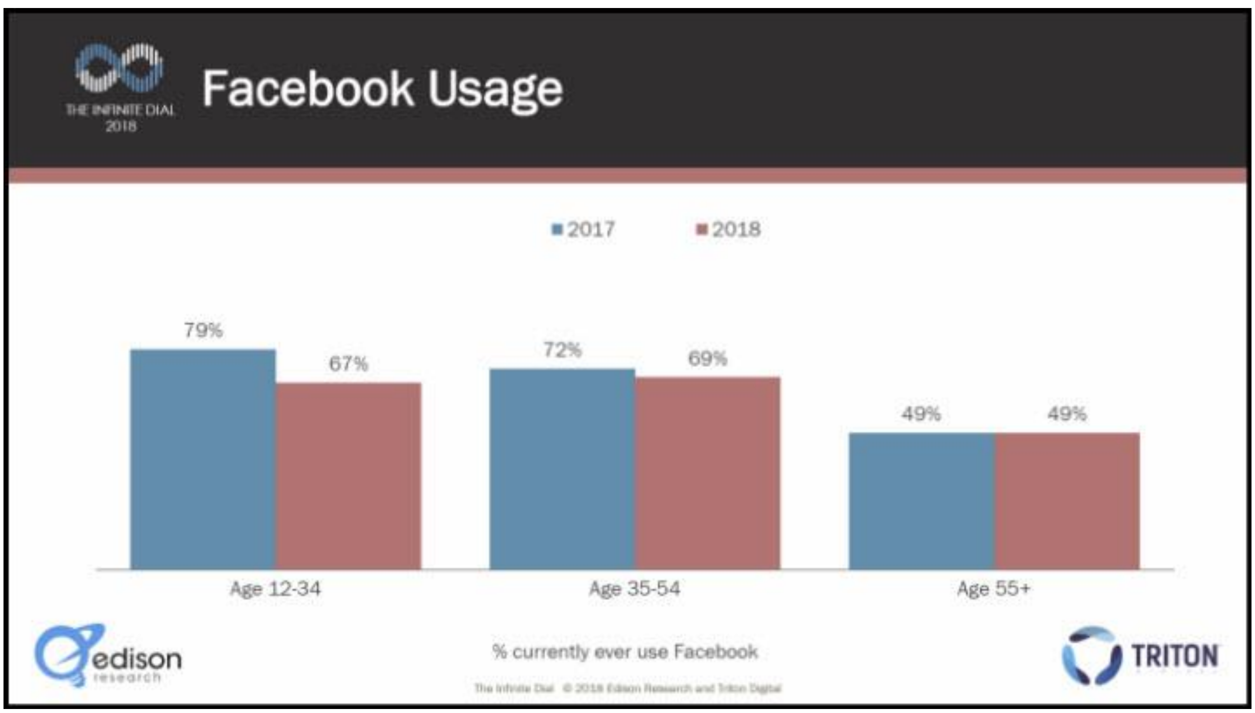
The Bottom Line:

Digital ad servers such as DoubleClick can be infected with malware for a client and the client's customers. While there are numerous safeguards in place, even Google's ad servers cannot block every new form of abuse which targets personal information.

However, Broadcast Radio ads will never damage PC's or cell phones, will not contain malware, and has never stolen personal information.

AM/FM Radio is Southern California…safe, secure, and highly dependable!

Facebook Usage Eroding in Key Demographics:



Buzzfeed struggles against Facebook and Google

- BuzzFeed's newest spin-off brand, As/Is, will cover beauty and style with a focus on body positivity and celebrating individuality. As/Is is the latest effort by BuzzFeed to find new revenue models through lifestyle brands that not only generate content, but experiences and products for a millennial audience. It's an area the digital publisher has been betting more on as it struggles to find ways to compete with Facebook and Google for ad revenue. **(Ad Age)**

Why 280 characters won't save Twitter

- Twitter has received a spate of bad press lately. From President Donald Trump's "propaganda" to the suspension of Rose McGowan's account, some might feel that the once-popular micro-blogging site is on the way out. And the numbers justify that assumption. Millennials make up the largest generation in the United States, yet Twitter is struggling in positioning itself as an option for them. A picture says 1,000 words, and this generation prefers selfies to short remarks. **(Ad Age)**

- **Google tracks Android users, even with location turned off**
  Google has confirmed it has been able to track the location of Android users via the addresses of local mobile phone masts, even when location services were turned off and the sim cards removed to protect privacy. Revealed by a report by Quartz, Google's Android system, which handles messaging services to ensure delivery of push notifications, began requesting the unique addresses of mobile phone masts (called Cell ID) at the beginning of 2017. (Guardian)

- **Twitter goes deeper into Programmatic buying**
  Twitter wants to be the easiest place for brands and agencies to buy ads in social media. According to advertisers briefed on the plan, Twitter is seeking to embrace programmatic ad technology in a way that its rivals have avoided, by building pipes to connect its ad inventory with outside buying platforms and agency trading desks. Twitter has acknowledged its programmatic aspirations in a general way, but advertisers say the plan is more sweeping than previously revealed. **(Ad Age)**

- **Logan Paul (or someone like him) will destroy your brand**
  Another YouTube celebrity is facing an internet storm over a tasteless video, and brands are once again wondering how to avoid influencer disasters like the one wrought by Logan Paul. Paul, a hero to pre-teens whose followers number around 15 million, posted a video to YouTube that showed a dead body. "There is no reasons for brands to take risks like that," says Harvey Schwartz, president of talent at WHOSAY, an influencer marketing company. **(Ad Age)**

- **Fair gets $1B to bring car buying into digital age**
  Fair, maker of an app that it says provides the first fully digital end-to-end way to buy a car, said it has closed a strategic funding round led by BMW i Ventures and secured offers for nearly $1 billion in dedicated capital. Santa Monica, Calif.-based Fair said the financing round also included investments from Penske Automotive Group and others. **(Business Journals)**

- **Spotify Smacked With $1.6 Billion Copyright Lawsuit**
  As it prepares to go public, Spotify must cope with a massive copyright lawsuit from the music publisher that administers the rights to songs by Tom Petty, Neil Young and hundreds more. Wixen Music Publishing has filed a $1.6 billion suit against the streaming music service, claiming it is using more than 10,000 songs, including Petty's "Free Fallin'" and The Doors' "Light My Fire" without license and compensation. READ MORE

- **Target broadens beyond Hispanics, families with kids**
  Last year, Target's holiday push was all about Hispanics and families with kids. But the retailer missed out on key revenue by not tailoring its messaging to reach a broader audience. This year, the brand is trying to avoid the same mistake. "We feel like we left a lot of sales on the table last year" by not targeting empty nesters, teens and families without kids, said Rick Gomez, executive VP and chief marketing officer. **(Ad Age)**

- **FTC Steps Up Warnings for Some Social Media Influencers.**
  The Federal Trade Commission has just released an updated guide for so-called influencers and advertisers for how to properly disclose relationships at the root of social media endorsement marketing campaigns. It comes as the FTC issues its first legal actions against individual influencers and fires off more warning letters. READ MORE

- **Netflix says it will spend up to $8B on content next year**
  Netflix will spend between $7 billion and $8 billion on content in 2018, up from the roughly $6 billion it will spend this year, the streaming service said while announcing its third-quarter earnings on Monday. Netflix added 5.3 million subscribers in the quarter, surpassing expectations, and had revenue of nearly $3 billion, a 30 percent increase from the same period last year. The company also saw its net income rise to $130 million. (New York Times)

- **Do 2-second videos work on Facebook?**
  Why should a marketer pay for video ads that aren't even viewed for 2 seconds? It's perhaps the most important question going in mobile marketing, with brands pushing back against the very notion that many ads on platforms including Facebook, Snapchat and Twitter have the chance to make much of. (Ad Age)

- **The true costs of ignoring online brand safety**
  In 2017, JPMorgan Chase and Procter & Gamble faced the brand safety crisis head-on. After its ads appeared next to offensive content, JPMorgan Chase cut the number of sites it advertised on from 400,000 to just 5,000 a month. P&G slashed its digital ad spending by $140 million over similar brand safety concerns. Were these moves enough? This is the question that marketers need to ask. (Ad Age)

- **Facebook's new tool lets publishers use its data to sell video ads**
  Facebook is opening up its data for TV-type publishers to **target video ads** on their sites and in their apps. A&E Networks, ESPN, Hearst Television and Scripps Networks Interactive are testing an automated system that lets marketers find their intended audience using Facebook data such as age, gender and location. (Ad Age)

The SCBA has begun a new service for clients and members entitled *The SCBA Digital Information Series*, which is a series of brief overviews of specific digital challenges advertisers must face. You can see them all at www.scba.com.

The SCBA Urges Caution regarding non-Radio Digital Advertising

While Radio has always welcomed competition from other media, the inexplicable 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" and "Rage against the Machines" at www.scba.com before investing in search engines, third party networks, mobile ad networks, and/or websites that are misleading and dishonest.

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

New SCBA Research Services for clients and agencies:

- The SCBA/Nielsen research study entitled, "***The Local Path to Automotive Purchase***" can be read in its entirety at www.scba.com. The study reveals what actual vehicle buyers rely on to make their new and used vehicle buying decisions. A must read for anyone in or out of the auto industry.

- **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. Here is a link to that study: http://www.scba.com/assets/pdf/5167548.pd

Additional Guidance on Political Advertising demand in California

The 2018 political advertising activity for California will be remarkable by any standard. Every significant elected office in the state will be voted on by Californians in 2018, which will include U.S. Senate, U.S. House, Governor, Lt. Governor, State Supreme Court, Secretary of State, State Assembly, State Ballot Measures, Appellate Courts, Local Judges, School Boards, State Senate races. All those races and numerous ballot propositions alone will be significant to local media. Add the unknown element of Political Action Committees (PACs) and the large amounts of cash they control and 2018 could be a record year for political advertising in Southern California and the rest of the state.

Additionally, an amendment to change **Proposition 13** is projected to not only bring out aggressive spending from both side of the issue, but will have significant impact on the Governor's race as well. Briefly, the amendment seeks tax relief for seniors 55+, allowing them to sell their homes without paying a higher tax rate on their new home. We mention this issue as only one of many propositions that will be heated and debated months before the public vote.

We strongly urge clients to look ahead for their advertising planning as Radio station inventory should begin to tighten in late Q2 and during certain periods of the year based on political advertising demands. Since much of this category's activity can happen on a week to week basis, based on shifting polls, public opinion, and budgets, the SCBA recommends that advertisers consult with Radio about full year availability.

SCBA Market Guidance for the Second Quarter of 2018

After extensive study of both category and competitive factors, the SCBA is projecting Q2 Southern California Radio advertising activity to perform in similar growth patterns as most other second quarter periods of the year. While we see accelerated consumer expansion for our Southern California markets, we also project seasonal certainty in many categories but remain concerned for other ad categories and the fierce competitive environment our clients are experiencing today. Overall, we begin Q2 with confidence.

With an ever dynamic and disruptive business environment facing many of our larger ad categories, SCBA and its member stations are well positioned to advise and recommend media solutions for our clients and agencies to expand their business effectively in Q2 and beyond. The SCBA and our member stations study market and industry trends and can assist and advise clients on a variety of media solutions.

If building your brand and increasing sales and market share are crucial to your advertising plans, we urge you to contact us at tcallahan@scba.com to learn more about the ubiquitous reach and compelling commercial environment your message will be heard in as only the value of AM/FM Radio advertising can consistently deliver. We welcome and encourage direct comparisons with other media so clients can gain a complete understanding of the media mix that works best for them.

If you have any questions about the **SCBA Quarterly Market Guidance Report** for the second 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 Q2 2018 and beyond, please contact us directly at 323-695-1000 or at tcallahan@scba.com.

The SCBA recommends the use of the **SCBA Quarterly Market Guidance Report for Q2 2018** as an important resource for your planning and understanding of the true power and competitive strength of AM/FM Radio and its digital platforms, as well as a detailed overview of the most dynamic consumer market in the United States today, which is Southern California. On behalf of our executive committee and the SCBA board of directors, we look forward to a great second quarter in 2018 with our members, clients, partners, and friends.

Sincerely,

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Sources:

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