Southern California Broadcasters Association

The Voice and Advocate for Southern California Radio
www.scba.com

The SCBA Quarterly Market Guidance Report For Q1 2019

The Southern California Broadcasters Association is pleased to publish its SCBA Quarterly Market Guidance Report, covering the vast and growing Southern California region for the first quarter of 2019.

This industry report is for SCBA members as well as an ongoing service for clients, advertising agencies, the press, and media buying services that are planning to invest their advertising budgets in Southern California Radio in **the first quarter of 2019**. The report looks primarily at the upcoming quarter and provides critical insight into the regional economy, Radio 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, our highest Radio station membership to date, covering 52,000 square miles in the ten most southern counties of California. The SCBA is also celebrating **81 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.

We begin this first quarter 2019 report with a brief overview of the enormous Southern California economy, full employment rates, and other key economic data by county in order to provide clients a complete understanding of the vast markets that are available to them for increasing market share, product awareness, and revenue.

Regional Economic Overview

Southern California's estimated gross domestic product will now exceed $1.6 trillion in 2019, making it the 16th largest economy in the world with Los Angeles County alone ranking 21st with a gross domestic product of $**644.1 billion**. The state of California is now the 6th largest economy in the world, ahead of France, and is projected to finish 2019 with a GDP of $2.9 *Trillion dollars*.

The following showcases the county by county growth trends, economic power, and employment strengths of our major Southern California counties;

Los Angeles County: With a population of over 10.5 million, Los Angeles County has more residents than 43 states. Unemployment rates for 2019 will fall to 4.1%, the lowest unemployment rate in the past 18 years. The median price for a home was $592,094 in 2018 and is expected to climb to $624,901 in 2019. New, multi-family and rental units are expected to grow substantially in 2019.

Job gains are expected to increase in Q1 2019 in these industries based on 2018 YTD 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 LA region has reached full employment as defined by the federal government. Average age in LA County: **35.5 years.**

Los Angeles County has one of the largest manufacturing centers in the nation, is a global gateway for trade, tourism, web-based businesses, and draws entrepreneurs and risk-takers from around the world. It is also the entertainment capital of 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 3.2% by end of 2019. 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 14% in 2019. 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 2018 and spent in excess of $10.8 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 in 2019.

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 2019 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 2018, according to Trulia. Bakersfield is also ranked #3 in the nation for millennial home ownership.

Riverside and San Bernardino Counties: Unemployment rates in the "Inland Empire" are projected to be 4.3% by end of 2019. Notable job growth will come 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 4.5% by end of 2019.

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 2019 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 4.5% for 2019. 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 2019. Total personal income is expected to rise by 5.6% in 2019 To underscore this county's growth potential, 1 out of 5 jobs will be in construction in 2019. Retail and mixed-use development projects are growing at fastest rate since 2008.
Average Age in Ventura County: **36.7 years**.

San Diego County: Total non-farm jobs will exceed 1.7 million by end of 2019. With 3.5 million people, San Diego County is the second most populated county in California after Los Angeles County. The projected 2019 unemployment rate will be at its lowest, down to 4.3%, 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 five years. It will grow further in 2019 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, compelling, and growing.
Average Age in San Diego County: **35.1 years.**

Southern California Commuter Traffic Congestion Increases (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 most recent 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." At www.scba.com**

The Larger View for Broadcast Radio and Other Media:

In an important step toward ***getting radio on the media plan*** for more large national marketers, Nielsen is making radio a media type available within its national cross-media planning tool. PPM and diary data are being added to Nielsen Media Impact, which is used by agencies, media owners and advertisers to get a handle on cross-media reach, frequency, and duplication when drawing up their media plans.

Radio data previously wasn't available in the planning tool, putting the medium at competitive disadvantage to other media channels like national network TV and cable networks.

The radio data will come from Nielsen's National Regional Database, which comprises both PPM and diary data. Nielsen says including national radio data within NMI allows buyers and sellers to understand radio's value as a medium at the national level and the incremental reach from including national radio in the media mix. The upgrade lets media planners compare radio with other national media and to break out the data by custom dayparts, radio formats, owner groups and RADAR Networks.

The goal is to give media planners one platform that reflects all media. By including TV, radio, SVOD services such as Netflix and Hulu, mobile, tablet, desktop, print, cinema and digital place-based media all in one interface, marketers can access de-duplicated audience data when making their buying decisions.

Encouraging Projections from Leading Ad Agencies about 2019 U.S. Ad Spending…

From Magna Global

Magna Global upped its outlook for 2019 ad spending to 4.7% growth from an earlier prediction of 4%. The ad-buying group, which is which is part of Interpublic, also raised its global growth forecast for this year, calling for spending **to increase 7.2%** to $552 billion from an earlier projection of 6.4%.

Smaller and newer advertisers, coupled with ongoing growth in digital advertising, are contributing to what Magna calls a "significant upswing" in ad spending. The company says global advertising is nearing its strongest showing since 2010, when the ad market recovered after two years of recession, and the second strongest since 2004, thanks to a combination of strong demand and cyclical drivers. Growth in digital advertising drove a huge portion of the increases this year. Digital ad spending will grow by 17% in 2018 to $251 billion, Magna says, lifting that forecast by 1.5%.

Smaller advertisers are also fueling growth on digital platforms such as Google and Facebook, says Vincent Létang, executive VP of global market intelligence at Magna. Big national brands only account for around 20% to 25% of total spending on the platforms, he said. **Ad spending in the U.S. is on track to rise 7.5% in 2018 to reach an all-time high of $208 billion.** This year's record-shattering $4 billion 2018 midterm election ad spending was up 43% from 2014 and included $3.1 billion for local television, $460 million for direct mail, $150 million for radio, and $20 million for outdoor. **Digital ad sales grew by 16.6% this year to pass the $100 billion mark, which is 52% of all ad sales in 2018.**

Magna predicts a "moderate slowdown" in U.S. ad growth to 2.4% in 2019, and is an improvement from the company's earlier expectations of 2%. After taking out spending from cyclical events such as the Olympics, U.S. ad spending will rise 4.5% next year, close to the average over the last eight years, according to Magna.

"Global Advertising Spending expanded by the strongest growth rate since 2010 this year," Létang says. "This record growth was fueled by the combination of a robust economic environment prompting most verticals to increase ad spend, as well as stronger-than-expected cyclical spend. "A deceleration is expected in 2020, when digital media "reaches maturity" and the U.S. economy is likely to slow, according to macroeconomists. There also is growing concern that ad revenue could be hampered next year by cutbacks in the auto industry and uncertainties in the economy.

From GroupM:

GroupM, part of agency holding company WPP, now predicts global ad-spending growth of 3.6% for 2019, down from its earlier prediction of 3.9%, with total new investment expected to reach $19 billion instead of the $23 billion earlier predicted. The ad buying group also slightly downgraded 2018 growth expectations from 4.5% to 4.3%.

“GroupM’s still strong 2018 view ties to macro questions: tighter money, China’s slowing growth, and the potential for pricey trade wars,” said Adam Smith, futures director at GroupM, in the forecast. “Real interest rates are edging up globally, but serious potential problems remain limited to a fragile five—Argentina, South Africa, Brazil, Turkey and Venezuela.”

GroupM forecasts that ten countries will provide 83% of all 2019 growth. China remains the largest contributor with **the U.S. ranked second.** The U.S. has lower unemployment and improved consumer confidence in its favor but increasing energy prices, rising interest rates, and low unemployment have stoked concerns about the possibility of increased inflation. Marketers continue to scrutinize digital investments with emphasis on verification and value, GroupM says.

From Zenith

Zenith hasn’t changed its 2018 forecast, repeating its prediction that global ad expenditure will grow 4.5% to $581 billion in 2018. Despite the lack of big cyclical ad drivers in 2019, Zenith is calling for 4.0% growth for 2019, followed by 4.2% in 2020 and 4.1% in 2021. While its 2019 forecast is down slightly from a September prediction of 4.2% growth, the 2020 Zenith forecast is stable and the 2021 forecast is new.

Focused on North America, Zenith expects ad spend to grow 3.0% in 2019, and to average 3.4% growth each year to 2021. “North America’s ad market has been growing fairly steadily but unspectacularly since 2010,” Zenith says in the new report, citing strong economic growth and low unemployment. “The U.S. will be the leading contributor of new ad dollars to the global market over the next three years, making up in scale what it lacks in speed,” Zenith says.

Online advertising overtook traditional TV advertising to become the world’s biggest ad medium, accounting for 38% of total ad expenditure, Zenith says. “As internet advertising matures, its growth is slowing down, but it remains the fastest growing medium by some distance and it is still gaining share rapidly,” the forecast says. It predicts internet ad spend grew 12% in 2018, and anticipates an average growth rate of 9% a year from 2018-2021. **By 2021 Zenith says internet advertising will account for 47% of global ad spend.**

And from Leading Research Firms about Consumer Behavior with Media in 2019 and beyond…

Juniper Research reports smart speakers will be installed in over 70 million households by 2022, **reaching 55% of all homes** with total installed devices exceeding 175 million. While the number of smart home assistants increases, Juniper Research is forecasting that most voice assistant usage will be on smartphones, with over five billion in use by 2022.

Juniper projects voice assistant devices across all platforms – smartphones, tablets, PCs, speakers, connected TVs, cars and wearables – will reach 870 million in the U.S. by 2022, **a 95% increase over the 450 million estimated for 2017.**

The new study, "Digital Voice Assistants: Platforms, Revenues & Opportunities 2017-2022," found that the ability to pass information between device platforms will be critical in the future, due to many users engaging with multiple assistants. With that finding, Juniper Research says there is a growing trend for devices with multiple assistants, such as Google Assistant and Cortana being available on the same speaker. The UK-based research and analytical firm said hardware and software vendors need to make cross-assistant usage smoother and more intuitive to meet these needs.

Juniper believes that advertising is the biggest revenue opportunity for voice assistants and forecasts ad spend will reach nearly $19 billion globally by 2022. But the study says there will be challenges. "Voice-based interaction presents less options than other forms of advertising, meaning less adverts are possible," research author James Moar noted. "Not all voice interactions are product searches, meaning advertisers will need to adjust their strategies

Pew Research

A new study from Pew Research Center reviews the formats and platforms Americans prefer to get their news. While TV remains a dominant force in news consumption in the U.S., **Broadcast Radio is the go-to medium for Americans who want to hear the latest news**. The percentage of respondents who say their preferred mode of news consumption is "listening to it" has increased year-over-year.

Watching is still the most-preferred format for getting news with 47% of Americans saying they prefer watching the news over listening to it or reading it. That number is relatively unchanged from 2016. The good news for Broadcast Radio is those who prefer to **listen** to the news saw an increase. Pew Research Center reports that 19% prefer listening as the format for consuming news, up from 17% two years ago. Those who say they prefer reading the news is down from 35% in 2016 to 34% this year.

When asked the preferred platform for either listening, watching or reading the news, 14% prefer to get their news from Broadcast Radio. Radio saw a 2% increase year-over-year. TV (local, network or cable channels) is still the dominant platform with 44% viewing their news on the flat screen. The internet (websites, apps or social media) is preferred by 34%, while only 7% say they prefer print.

When posing the two questions together, the preferred format for getting news (reading, watching or listening) and the preferred platform to access it (print, television, online or radio), of those who prefer the listening format, **52% named Radio as their preferred platform**. Those who prefer the listening format also cited TV (21%) and the web (20%) as other platforms for listening.

Adults younger than 50 are more likely than those ages 50 and older to prefer the internet as their platform for getting the news, regardless of which format – reading, watching or listening. However, a similar percentage in both demo cells, 18-49 (53%) and 50+ (52%), who prefer listening to the news do so via radio. Of those 18-49, 27% listen to the news on the internet and only 13% listen to the news on TV. Interestingly enough, 34% of respondents over the age of 50 listen to news on their TV and only 9% listen to the news online. Pew Research Center conducted the survey July 30-Aug. 12, 2018, among 3,425 U.S. adults who are members of the Center's nationally representative American Trends Panel.

And from BIA

More than one third of businesses (35%) plan to increase their advertising spend in 2019, according to new data released from BIA's SAM survey series. Radio and TV/cable advertisers have even better intentions for increasing their spend, with about half planning to up their ad allocation in the new year.

The survey, which covered both large and small businesses, also drilled down into which ad categories are most likely to open their ad checkbooks wider in 2019. Among the different verticals that BIA tracks, entertainment and financial services businesses were the most optimistic. And when the researchers broke out results based on the size of the business, it found larger businesses are most likely to increase spend. "No matter if they are increasing or maintaining, there wasn't a huge difference in where large and small businesses plan to increase ad spend," the media financial advisory firm said in a blog post.

While 35% of advertisers plan to up their ad outlay in 2019, most plan to maintain 2018 spend levels. Nearly 66% plan to adopt email marketing and 42% say they will implement video ads. **Both are platforms many SoCal Radio member now offer as part of their integrated marketing menu.**

The BIA SAM (Survey of Advertising and Marketing) series tracks national and regional marketers targeting local audiences. It recently replaced the media financial advisory firm's long-running survey series Local Commerce Monitor (LCM), which surveys small and medium businesses or firms with fewer than 100 employees. The U.S. SAM survey includes local and multi-location/regional and national businesses that target local audiences in their advertising and marketing.

Q1 2019 is poised for even further growth as Broadcast Radio expands its listenership:

- Weekly cume has increased again for Southern California over the past year, making Broadcast Radio the only media to show engagement and usage growth. This includes local TV, Pure plays, 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. Broadcast 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.

- 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 continues an impressive three-year listener growth trend:

Southern California Radio's growth is even more impressive when one looks at all the varied audio and video 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+.

	Spring 2015	Spring 2016	Spring 2017	Spring 2018	% Change 2015 vs. 2018	# Change 2015 vs. 2018
AVG WK Cume	15,519,100	15,750,000	15,926,100	15,743,100	1.4%	224,000

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. You can view this data and much more audience growth research for Broadcast Radio at www.scba.com**

- **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. The consistency and growth of Southern California Radio listenership is compelling and worthy of inclusion in any media or advertising plan focused on our dynamic region.

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 and tracks a number of 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 Q1 2019 by also comparing Q1 2018 activity with projected Intel for Q4 2018 and current market conditions by category.

To provide additional value and inherent strength of Southern California Radio's ability to drive showroom traffic, The SCBA partnered again with Nielsen Audio to conduct our second regional research study on consumer behavior and media choices when buying new and used vehicles in Los Angeles and San Diego.

The compelling new study entitled; **"The Real Value of Southern California Radio to the Automotive Industry"** showcases the special relationship between auto intenders and Broadcast Radio. The study also sheds new light on the value of Radio as a significant driver to dealer web sites and search engines.

And please review our first automotive research study, "**The Local Path to Automotive Purchase**", please visit http://www.scba.com/The-Power-of-Radio where a video of our first LA event and PowerPoint is available.

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 2019. ***We urge all of our automotive clients to review their marketing and advertising plans*** for 2019 and look to true ROI as the filter for all media to be judged through. The SCBA is available for any consultations requested. **"The Real Value of Southern California Radio to the Automotive Industry"** 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 chart below describes where auto ad dollars were spent in 2018 and based on the current state of the auto industry, we urge a "media reallocation" using the proven research of how Broadcast Radio can drive customers to show rooms, but point them to the dealer web site and search engines.

TOTAL U.S. 2018 PROJECTED NEW CAR ADVERTISING SPENDING

IN $ MILLIONS

Media Choice	Dealers	Co-op*	Dealers + Co-op	Dealer Assoc.**	Auto Manuf.	New Car Ad $$ Totals	Share
Broadcast TV	$441.0	$364.9	$805.9	$208.3	$1,047.5	$2,061.6	*7.5%*
Cable	$265.7	$295.3	$560.9	$187.9	$1,355.3	$2,104.1	*7.7%*
Cinema	$197.3	$49.4	$246.7	$123.7	$302.6	$673.0	*2.5%*
Direct Mail	$641.3	$157.7	$799.0	$45.1	$202.6	$1,046.7	*3.8%*
Directories	$27.5	$21.5	$49.0		$27.6	$76.6	*0.3%*
Newspapers	$476.1	$457.4	$933.6	$147.4	$560.4	$1,641.4	*6.0%*
Online/Digital	$5,435.5	$4,144.4	$9,579.9	$228.4	$7,708.6	$17,516.8	*63.8%*
Other Print	$196.1	$151.8	$347.9	$131.4	$228.0	$707.3	*2.6%*
Outdoor	$64.3	$70.3	$134.6	$34.8	$248.6	$418.0	*1.5%*
Radio	$497.2	$116.7	$613.9	$184.7	$79.6	$878.2	*3.2%*
Telemarketing	$212.9		$212.9		$106.9	$319.8	*1.2%*
Projected '18 Market Totals	**$8,454.8**	**$5,829.4**	**$14,284.2**	**$1,291.7**	**$11,867.8**	**$27,443.6**	***100%***

*Purchased by dealers, financed by manufacturer credits
** Costs shared between member dealers and manufacturers

Source: Borrell, 2018; © 2018 Borrell

The SCBA has analyzed the following 25 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 Q1 2019 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 largest 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 -1% for tiers 2 and 3 for Los Angeles and -3% for San Diego for tiers 2 and 3 for the Q1 period of 2019. 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 Real Value of Southern California Radio to the Automotive Industry**" at www.scba.com
  New Trend for Q1 2019: Dealers will be promoting used vehicles as rising interest rates, and rising sticker prices on new models are making used, late model, low mileage

returned leased vehicles more attractive to consumers. Used vehicles are more profitable for local dealers than new vehicles.

- **Professional Services** which consists largely of attorney services will demonstrate continued growth in Q1 2019. A significant trend which will continue in 2019 will be legal advice and counsel for immigration issues as well as the burgeoning personal injury and environmental health claims segment continues to skyrocket 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 Q1 spending for personal and family legal services with growth rates of 4.4% for LA and 3.8% for San Diego. New Trend for Q1 2019: With an improved economy, divorce rates will increase as will divorce/settlement attorney offers to the public. Biggest increase is January and is considered the "divorce month" for tax reasons and the fact that the process may take all year.

- **Financial Services**, which consists primarily of consumer credit counseling and debt relief consolidation firms, will continue its growth in Q1 with a 3.2% increase for LA and 2.8% increase for San Diego in Q1 2019. 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 Q1 2019. Total household debt in the U.S. for October 2018 has hit a record high of $13.2 trillion dollars. This is the sign of an improving economy and considerable consumer confidence. It also means the consumer will go deeper in debt in Q1 2019 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 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 6.6% for LA in Q1 2019 and 3.9% 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 sector will have a 28% increase in shopping and contractual work performed as Q1 is its peak time of consumer interest and intent. 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 3.6% increase for Los Angeles in Q1 and a 3.0% increase for San Diego in Q1 2019. New trend for Q1 2019: The horrific wild fires in Southern California will drive this category higher than normal as thousands of homes will need repairs such as smoke damage, pressure washing, etc.

- **Cellular Carriers** faced brutal competitive pricing plans, eroding profit margins at a time where capital investment in 5G technology spanning data plans, connected in car services, internet connectivity, self-driving apps, etc. is absolutely essential to remain competitive. Cellular data plan pricing dropped again in November to its second largest decrease in 17 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 current issues and their continued current erosion of customer share. Based on these dynamic market factors, the SCBA projects a 2.1% increase in LA and a 1.4% increase for SD in Q1. New trend in Q1 2019: Cell and data providers are rushing out new apps to encourage more use of data plans for new phone users as well as a growing number of users who are holding on to their older phones due to price points of new ones.

- **Restaurants, which include all fast food and quick and casual restaurants** remain a growing and year-round Broadcast Radio advertiser with an impressive 2018 YTD growth rate of 15.5%. With so many burgeoning restaurant choices in much of SoCal, expanding locations for most major chains and same store sales up through October 2018 for most national brands, dining habits will adjust somewhat in 2019. This category should expand by 2.0% in Q1 for LA and 1.5% for San Diego. New trend in Q1 2019: Look for quick and casual restaurants to further promote their apps for order pickups, extending happy hours, and menu specials. Competitive menu pricing for this segment will grow further in 2019.

- **Healthcare** will continue to be a diverse and growing ad category for Southern California Radio. In addition to traditional hospitals, clinics, and Urgent care facilities, this sector will grow further in Q1 with specific subsets of healthcare specialties being advertised such as dental, eye care, restorative surgery, physical/operational therapy, and numerous forms of cancer related services. Our continued regional growth for Q1 is projected at 3.7%. New trend in Q1 2019: Recent bad air over much of our region from the devastating fires will increase respiratory and smoke related allergy center visits. Awareness of these services will be needed.

- **Casinos:** 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 $8.1 billion dollars in 2018 in Southern California and directly employ 23,300 people. Southern California "brick and mortar" casinos are facing more competition from online casinos as the online experience now includes more game-like elements such as storylines and narratives, avatars, leaderboards, power-ups, etc. With current market conditions factored in, the SCBA projects an average 1.0% increase in spending on Broadcast Radio for Q1 2019 for LA and .8% for San Diego. New trend in Q1 2019: Look for more player interaction from the casinos and increased live entertainment to offset the online experience. Evaluating Broadcast Radio's reach will be key to casino market share and visitors.

- **Groceries/Convenience**: The grocery industry for our region is one of the most competitive and omnipresent sectors the SCBA follows. Competition used to be limited to supermarket to supermarket but that era is gone. Today, grocery stores compete with club stores, Supercenters, Dollar stores, Drug stores, Click and Deliver, Click and Collect, Meal kits, and now newer competition from Home Depot and Lowes. 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. Typical grocery profit margins are on average 2% so the industry has no room for error. Our region will see a loss for Broadcast Radio in Q1 for this category as we project this explosive category to be in transition by -9.8% in LA and -7.7 in SD for Q1 2019. We urge grocery clients to read our Category Alert on the Grocery business at www.scba.com to gain a competitive edge by using Broadcast Radio in larger spends.

- **Education**: The continuing education sector is poised for significant growth in Q1 2019. 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 Q1 2019 as the medical health field's demand for trained workers is burgeoning. We see a 2.9% for LA and a 2.7% increase for SD. New trend for Q1 2019: STEM education will be a major focus for the education sector. Science, Technology, Engineering, and Mathematics degrees are in high demand as jobs in these fields have doubled since 2008.

- **Personal Fitness/Weight Centers**: Ever expanding, this sector will see growth from more 30-minute workouts, (not 60) new "Ninja Training" centers featuring intense physical training as well as expanded Zumba style classes. The sector is fighting online competitor Peloton for market share and we project a 2% increase for our region in Q1. New trend for Q1 2019: studios, weight centers, and gyms will promote their apps for quicker appointments, classes, payments, cancellations, and overall greater engagement with their centers/studios and trainers.

- **Oil and Gas:** Gasoline prices as of this writing in Southern California are rising. On average, Orange county is $3.50, San Diego 3.53, Bakersfield, $3.54, Los Angeles $3.57, Ventura, $3.53, Riverside $3.45, and Santa Barbara $3.62. 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, OTC medicine, etc. is an impressive 46% on average through October 2018. With longer over the road trips, and spring break travel near its peak in March, we see the gas and oil category rising to 3.4% in LA and 2.8% in SD for Q1 2019. New trend in Q1 2019: Look for more food products in gas convenience retailers as margins are exceeding 15%.

- **The Internet/e-Commerce Category**: By far, the hottest ad category for our region in Q1 2019 based on an impressive 45% 2018 YTD increase. 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 Broadcast Radio as a critical reach and awareness component. Newer non-retail categories are returning to Broadcast Radio for awareness and recognition reducing ad spending on digital platforms and/or networks that offer impressions but negligible ROI. The E-commerce segment continues its fast growth pace with 50% of shoppers buying online only and 43% are ok to not speak with a human. Combined we see a substantial 18.8% increase for our region in Q1. New trend for Q1 2019: Voice queries will grow for e-commerce sights in Q1 and all of 2019. By 2020, 51% of all searches will be made via voice.

- **Department Stores/Discount/Shopping Centers**: An impressive turnaround for this category that previously reported two years of decline has come back significantly with a 2018 YTD growth rate of 12% for LA and 35% for SD. With so many products offered at a variety of locations, the lines are blurred for shopping a variety of goods and products based on larger retail distribution patterns. San Diego continues its strong overall retail performance and has the additional advantage with its proximity to Tijuana, Mexico. 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 12% for the robust retail trade on both sides of the border in San Diego and LA will grow by 7% in Q1 2019. New trend in Q1 2019: Retailers who promote their sustainability programs will win big with approving customer base. Examples include Starbucks removing plastic straws from all of its stores by the start of 2019.

- **Drug Stores/Pharmaceuticals** will remain a consistent and growing ad category for Radio for Q1 in 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 24% higher during the Q1 months due to flu shot visits, and changing allergy issues as the season changes. We project an 8% increase in Q1 for LA spending and a 5% increase for San Diego.

- **Computers/Office Furniture/ Equipment and Supplies** will certainly continue its remarkable and durable 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 October for LA, and 15% for SD applications. Demand and growth for office space and equipment is on track to increase by 3.1% regionally in Q1 2019.

- **Heating/Air Conditioning** will continue its solid growth pattern in Q1 2019, much like the home improvement sector. Based on seasonal demand for new heaters, repairs, service contracts, and continued remodeling of existing houses and apartment complexes, we project this category to grow 6.7% for our region in Q1 2019. The unusual weather patterns and damaging fires in Southern California will also drive more volume to this sector. Google and Amazon are both now involved in the HVAC industry with new technology for more efficient units and service. New trend in Q1 2019: Like using Uber, younger homeowners are expecting 24-hour service appointments and installs. It's critical that fast appointments and service become part of the DNA for this ever-expanding sector. Look for this app service feature from contractors and manufacturers going forward.

- **Auto Parts/Service:** This sector is entering its slower season to a potential service market of over 18.2 million registered vehicles in Southern California. (DMV, October 2018) With the average age of vehicles still on the road today at 11.3 years, and daily commutes increasing by 13 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. Amazon now controls 22% of all auto parts on line shopping. On line auto parts revenue is projected at 10.1 billion in 2018 and 11 billion in 2019 nationally. Adjusting for the slower season, we see 3.1% for LA and 1.6% growth rates for SD in Q1. New trend for Q1 2019: 42% of online auto parts sales are made through mobile so retailers must include their app and a reminder for 24-hour delivery terms.

- **Hotel/Motel/Resorts** business has been rock solid as tourism and a much stronger 2018 economy has driven more tourists, travelers, vacationers, conventions, and business meetings to Southern California. However, we see seasonal adjustments for Q1 in San Diego at 1.0% for Q1. We project LA at 2.2% for the quarter.

- **Lawn and Garden's** traditional peak consumer buying season begins in March in Southern California as spring approaches and yard and garden planting begins. We see a s seasonally adjusted rate with this sector due to tighter housing inventory, and increased home and garden improvement trends for Southern California. Damage from recent regional fires in Southern California will also drive lawn and garden store traffic for a regional growth rate of 2.3% for Q1 2019.

- **Security systems** will be a continuing growth segment for Broadcast Radio in Southern California. An unfortunate, persistent surge in crime and break-ins is being reported for LA with a 17.1% increase in property crime rates through November 2018 and a 10.1% increase in San Diego through November of 2018. This negative news will only heighten public fears for personal protection for the home and apartments. New technology security systems will be introduced with higher margins for firms, and new products to further protect homes, only increasing this ad category spending. We see LA spending increasing by 5.3% for LA and 4.1% for San Diego in Q1 2019. New trend in Q1 2019: Biometrics or face recognition will begin to replace traditional numbered passwords on entrance keys in 2019 for greater home security and protection.

- **Recruitment/Employment** will regain its strength as a Radio advertising category after a brief lull in 2018. A Career Builder survey states that 45% of hiring managers claim they cannot fill open positions due to required skills needed. 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 Q1 throughout the region with a 6% increase for Q1 2019 for LA and a 5.3% for SD. LPN Nursing jobs, Nurse practitioners, and a variety of home health care workers will be in high demand in Q1 2019 and beyond for our region. New trend in Q1 2019: Open positions in Bio science, engineering, mathematics, and technology will be the hardest recruitment positions to fill for 2019.

- **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 are projected to grow by 20% nationally by end of 2018. 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 Q1 seasonal adjustment growth rate for our region of 6.4% for LA and 7.8% for San Diego.

- 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

Broadcast Radio Trends worth reading at www.scba.com

www.scba.com continues to receive high praise from clients and members as the go to source for local and regional research about the power and value of Broadcast Radio in Southern California. From SCBA Flash Research, SCBA Digital Information Series, SCBA Category Alerts, our in-depth SCBA White Papers, a full SoCal Traffic Report and its impact on Radio listening, our complete Market Research section as well as our complete coverage of the Pure play space. In fact, just about anything a client needs to know about Broadcast Radio in Southern California can be found 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.**

Exclusive SCBA Research Projects from Southern California Radio

- The second SCBA/Nielsen research study entitled**, *"The Real Value of Southern California Radio to the Automotive Industry"*** has just been released in November 2018 for all members, dealers, ad agencies and EOMs. The study showcases the direct connection between auto intenders (those consumers in the market to buy) and their relationship with Broadcast Radio and how it influences their opinions. This is a must-read study and can be found at www.scba.com

- The first SCBA/Nielsen research study entitled, "***The Local Path to Automotive Purchase***" can be read in its entirety at www.scba.com. This exclusive, compelling study reveals what actual vehicle buyers rely on to make their new and used vehicle buying decisions. A must read for anyone directly involved in 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.

Factual, relevant, and update to date information about the value of Broadcast Radio in Southern California can be found at www.scba.com

SCBA Market Guidance for the First Quarter of 2019

Southern California Radio is finishing 2018 with an impressive growth year: Los Angeles continues its title as the country's number one revenue market, our region continues to lead the country in new business development, digital platform sales, special events, and a four-year growth pattern for Radio listenership in our region. In brief, 2018 was not without its challenges but our members finished the year strong. And now it's on to 2019.

Initial client and agency activity for Q1 2019 has been very active in December 2018 and we are impressed with the renewed level of interest in Southern California Radio and its digital platforms. It's great to have the value of Radio being fully recognized by clients and agencies. As always, we urge clients and agencies to plan ahead when considering Radio to insure availability and/or sponsorship opportunities.

If you have any questions about the **SCBA Quarterly Market Guidance Report** for the first quarter, or if you would like to schedule an in-depth discussion about your advertising plans using Southern California Radio and its many business solutions for Q1 2019 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 Q1 2019** as an important resource for your planning and understanding of the true power and competitive strength of Broadcast Radio, 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 2019 with our clients, friends, and partners.

Sincerely,

Thom Callahan
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323-695-1000

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Sources:

Engadget.com, Zenith Media, GroupM, Strata Agency Survey, Pro Publica, The Verge, The New York Times, Los Angeles Times, San Diego Business Journal, San Diego Union-Tribune, Los Angeles 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, Bureau of Indian Affairs, Automotive News, CNN, CNBC, General Motors, Ford Motor Company, Subaru-global.com, The U.S. Department of Transportation. Scarborough Data, SCBA Member Stations, California Association of Realtors, Indiancasinos.com, Kyser Center for Economic Research. Bloomberg News. Orange County Register. Broadcasting and Cable. BIA/Kelsey. Restaurant Week. Gas Buddy.com, The Washington Post. Crain's Los Angeles Business Report, Internet Advertising Bureau Edison Research. CNBC. Texas Institute at Texas A&M University. California Department of Transportation. Los Angeles County Institute of Applied Economics, California Department of Finance, STR Research. Statisa.com, San Diego Association of Realtors, The Times of San Diego, NBCTV San Diego, Cushman Wakefield, Inc., Food and Drug Administration, ALG, Barclay's Capital Investments Division, The U.S. Department of Commerce, Kelley Blue Book, Cox Automotive, Facebook, Twitter, JD Power and Associates, Fox8 News, Standard Media Index, National Retail Federation, The Association of Fuel and Convenience Stores, cerasis.com, California Gambling Control Board, Toyota Motor Company, Lucintel, Linex.com, Gartner Research, Joint Center for Housing Studies at Harvard University, LMC Automotive, Reuters, NADA, Wallet Hub, Trulia. Proctor and Gamble, Us.pc.com, Wards Automotive, ATT.com, Axios.com, Consumer Credit Services, Office of Immigrant Assistance, State of California, FDA, Sprint.com, Association of Home Appliance Manufacturers, Los Angeles Police Department, San Diego Police Department, Office of the Mayor of the City of Los Angeles.