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 Q1 2018

"Based on all known consumer and listener measurement, Southern California Radio should play a significant role in any advertising planning" - SCBA

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 2018.

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 2018**. 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 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 Q1 2018 market guidance report is providing more in-depth analysis of a series of disruptive forces affecting our key advertising categories as well competitive factors impacting all media in Q1 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.

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 5.9% in 2017. Unemployment rates for 2017 will fall to 5.2%. 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 Q1 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.**

Notable Regional Economic News:

- **Led by "Wonder Woman," Warner Bros**. has crossed the $5 billion mark at the global box office this year, marking only the second time it has ever crossed the milestone. The studio made the announcement on Tuesday, noting that it's also the eighth time in the last nine years that Warner Bros. has earned more than $4 billion in a single year. The announcement came five days after Disney proclaimed it had topped $5 billion worldwide.
  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)**

2018's new laws: California businesses brace for changes

- A slew of new laws that address unpaid parental leave, new hiring restrictions and other workplace issues will have an impact on California businesses in the coming year. The California Chamber of Commerce has released a list of the laws that are scheduled to take effect in 2018 or beyond. Some are far-reaching, while others make small changes to portions of existing laws or may affect employers only in specific industries. **(Orange County Register)**

Jittery over the future, some dealers decide to sell

Dealer Darryl Holter considers himself a "nostalgic historian." It's why he kept Felix Chevrolet, one of the oldest dealerships in Los Angeles, when he sold his five other Downtown Los Angeles Auto Group stores. Yet Holter also envisions a future in which auto retailing is dominated by larger dealership groups. He isn't alone in his concerns. Buy-sell advisers say the number of sellers coming to market has escalated, largely because of auto retailing's uncertain future. **(Automotive News)**

- **Westfield acquired by French commercial real estate firm**
  Westfield Corp. was acquired by French commercial real estate firm Unibail-Rodamco for $16 billion, the companies announced Tuesday. Westfield, which has a headquarters in Century City, just finished a $1 billion renovation of Westfield Century City in October in an effort to remain competitive as shopping mall traffic declines nationally. The transaction valued the company at $24.7 billion. (Los Angeles Business Journal)

Retiring Ford powertrain boss: Electric motors are coming

- Bob Fascetti, one of the architects of Ford Motor Co.'s EcoBoost engine line, announced his retirement as vice president of powertrain engineering. He is succeeded by 25-year Ford veteran David Filipe. Fascetti, 55, worked nearly 30 years at Ford and rose to the top powertrain job in 2013. "If your job is to provide powertrains for vehicles, the longer you stay, the greater the chance that you'll be working on electrified powertrains," he said. **(Automotive News)**

- **"Southern California Big Mac fans** can satisfy their craving without leaving their driveway. McDonald's has launched doorstep delivery through UberEats at 375 restaurants in Orange, Los Angeles and Riverside counties. With the exception of soft-serve ice cream orders and promotional items, the full McDonald's menu is available through the fast-growing delivery division of Uber." (Orange County Register)

- **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 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**

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:

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

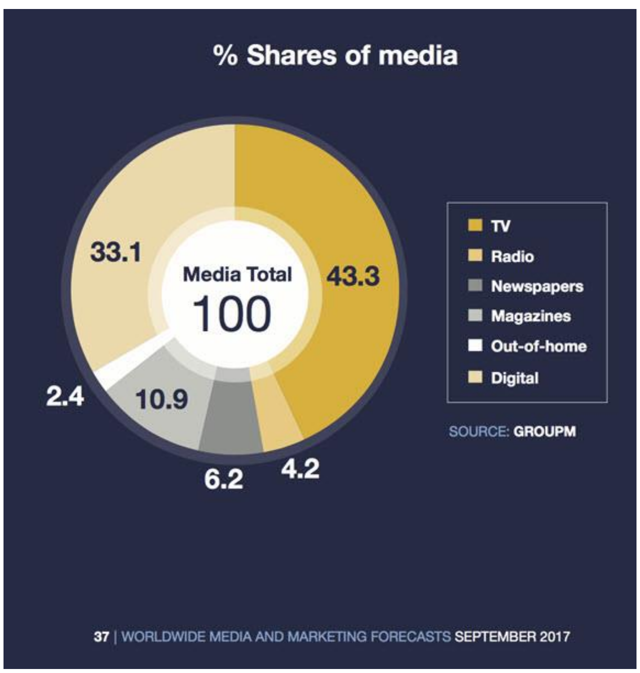
GroupM Forecast: U.S. Ad Market Slows, Radio Grows.
While the overall U.S. ad market is slowing slightly, radio holds steady. In a new forecast, media agency GroupM is revising its outlook for the U.S. market downward, estimating total spend will grow 2.2% this year, down from an earlier prediction of 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."

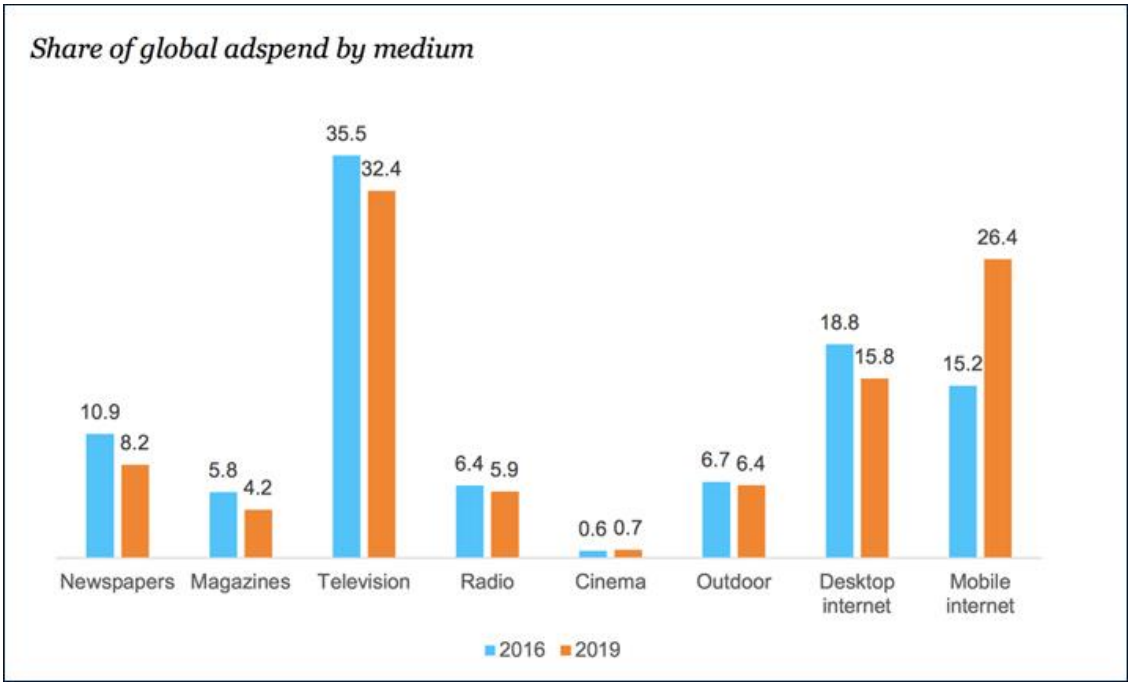
But there's plenty of good news, as ad agencies' focus on traditional media remains strong. A robust 63% report that their client's interest in radio remains the same compared to last year. The same can be said for network TV & cable at 66%, and local TV and cable at 62%.

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.

P&G
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.

Q1 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+.

	Spring 2014	Spring 2015	Spring 2016	Spring 2017	% Change 2014 vs. 2017	# Change 2014 vs. 2017
AVG WK Cume	17,379,900	17,322,400	17,575,300	17,714,500	2.0%	334,600
Weekly TSL	9:45	10:00	10:45	10:30	8.0%	

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**

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+.
am-mid, Persons 12+.

	Summer 2014	Summer 2015	Summer 2016	Summer 2017	% Change 2014 vs. 2017	# Change 2014 vs. 2017
AVG WK Cume	10,375,800	10,407,400	10,543,600	10,573,800	1.9%	198,000
ATE	2:00	2:00	2:15	2:00	0%	

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

	Summer 2014	Summer 2015	Summer 2016	Summer 2017	% Change 2014 vs. 2017	# Change 2014 vs. 2017
AVG WK Cume	2,503,300	2,466,100	2,512,700	2,548,300	1.8%	45,000
ATE	1:45	1:45	1:45	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.

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 2018 by also comparing Q1 2017 activity with projected Intel for Q4 2017 and current market conditions by category.

The SCBA has expanded its analysis of the auto ad category with this Q1 2018 Guidance Report. The documented "softer" year for the automotive industry has meant 11 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 November 2017, averaged $4,800 per vehicle, the largest amount 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 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 2017. ***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 any consultations 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 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 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 -2% for tiers 2 and 3 for Los Angeles and -4% for San Diego for tiers 2 and 3 for the Q1 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 are up to an average of $4.30 and climbing. Consumer demand is slowing for the big trucks like the F-150 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.

- **Professional Services** which consists largely of attorney services will demonstrate explosive growth in Q1 2018. A significant trend 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 6.6% for LA and 4.1% for San Diego.

- **Financial Services**, which consists primarily of consumer credit counseling and debt relief consolidation firms, will continue its growth in Q1 with a 3.5% increase for LA and 2.9% increase for San Diego in Q1 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 Q1 2018. Total household debt in the U.S. for October 2017 has hit a new record high of $13.4 trillion dollars. This is the sign of an improving economy and consumer confidence. It also means the consumer will go deeper in debt in Q1 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 4.5% for LA in Q1 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 3.3% increase for Los Angeles in Q1 and a 2.2% increase for San Diego in Q1 2018. Please note: The horrible SoCal fires will fuel demand for smoke damaged homes and rebuilding in Q1.

- **Cellular Carriers** ad spending in Radio slowed in Q4 2017 as the industry absorbed continued losses from discounted data plans but the SCBA now projects an increase for Q1 2018 as the winter months will increase data usage 21% 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 September 2017 YTD, its second largest decrease in 16 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 2.5% increase in LA and a 1.6% increase for SD in Q1 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 Q1 2018. This category should expand by 2.0% in Q1 2018 for LA and 1.8% 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 Q1 of -9.3% for LA and -4.6% 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 a -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 and New Year's spenders coming to casinos during the Q1 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 billion dollars in 2017 in Southern California and directly employ 23,000 people. With current market conditions factored in, the SCBA projects an average 2.7% increase in spending on AM/FM Radio for Q1 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 Q1 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 Q1 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 Q1 holiday period, we project this explosive category to be in transition by -13.7% in LA and -8.8% in SD for Q1 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 Q1 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 Q1 2018 as the medical health field's demand for trained workers is burgeoning. We see a 6.2% growth for LA and a 4.3% increase for SD.

- **Personal Fitness/Weight Centers**: This category continues 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 Q1 is a 3.6% growth rate, with San Diego continuing its impressive 3.8% increase for Q1 2018.

- **Oil and Gas: The average price of unleaded regular** gasoline, as of this writing in Southern California, is over 4.30 a gallon, which is up 17 cents from last week. And 26 cents higher than 30 days ago. 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 through September 2017. With longer over the road trips, longer commuting times due to traffic congestion, we see the gas and oil category rising to 3.5% in LA and 3.1% in SD for Q1 2018. Please note: The increased price of gas is already impacting SoCal larger truck sales with a move towards smaller SUVs and light trucks.

- **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 Q1 2018 at a seasonally adjusted overall regional rate of growth for Q1 in LA of 2.2% and San Diego at 2.0%.

- **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 -11.4% for Q1 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 3.3% for the robust retail trade on both sides of the border in San Diego.

- **Drug Stores/Pharmaceuticals** will remain a consistent and growing ad category for Radio in Q1 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 24% higher during the fall and winter months due to flu shot visits, and changing allergy issues as the season changes. We project a 1.8% increase in Q1 for LA spending and a 1.5% increase for San Diego. Please note: The announced CVS purchase of Aetna Health will significantly change the relationship between drug retailer and health insurance providers. We see consolidation in this sector by Q3 2018.

- **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 8% YTD through September for LA, and 111% for SD applications. Demand and growth for office space and equipment will increase by 2.6% regionally in Q1 2018.

- **Heating/Air Conditioning** will continue its growth pattern in Q1 2018, 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 4.2% for our region in Q1 2018. The unusual weather patterns in Southern California will also drive more volume to this sector.

- **Auto Parts/Service:** This sector is entering its slower season to a potential service market of over 18.1 million registered vehicles in Southern California. (DMV, September 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 winter season, we see 3.0% for LA and 2.2% for SD in Q1 2018.

- **Hotel/Motel/Resorts** business has been rock solid as tourism and a much stronger 2017 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 1.8% for Q1. We project LA at 2.4% for the quarter.

- **Lawn and Garden's traditional** peak consumer buying season begins in Q1 as spring approaches and yard and garden planting began. 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 3.8% increase for the region in Q1.

- **Security systems** will be a continuing growth segment for AM/FM Radio in Southern California. An unfortunate surge in crime and break-ins is being reported for LA with a troubling 14.4% increase in property crime rates in 2017 and a 9.8% increase in San Diego during the first ten months of 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 4.2% for LA and 3.7% for San Diego in Q1 2018.

- **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 Q1 throughout the region with a 2.9% increase for Q1 2018 for LA and an 3.1% for SD. LPN Nursing jobs, Nurse practitioners, and a variety of home health care workers will be in high demand in Q1 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 Q1 seasonal adjustment growth rate for our region of 5.3% for LA and 4.7% 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

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.

- In its latest White Paper, the SCBA reveals independent research about Broadcast Radio's awareness and retention among consumers and the substantial advantage it holds over digital and social media. See the complete paper. "Consumer."

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

- With 12 hours and 22 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, Q1 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, ***"Media Reallocation…Now".*** 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.

Competitive Media Trends:

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)

'Star Wars: The Last Jedi' rules social media buzz

- Disney-Lucasfilm's "Star Wars: The Last Jedi" dominated social media again last week with 185,000 new conversations as anticipation grows for the ninth film in the franchise, according to media-measurement firm comScore and its PreAct service. “Star Wars: The Last Jedi” has pulled in more than 3.97 million new conversations four weeks before its Dec. 15 launch. Directed by Rian Johnson, the movie picks up where 2015’s “Star Wars: The Force Awakens” left off. **(Variety)**

- **Facebook** is testing a new feature that makes sure you’ll always have videos ready to watch — and you won’t have to waste your data plan downloading them. The feature is called Instant Videos, and it appears to download various Facebook videos while you’re connected to Wi-Fi so that they’ll be able to start playing immediately on your phone when you’re inside the app. **(The Verge)**

Honda to use Facebook to find owners with defective airbags

- Honda will use Facebook's custom-audiences tool to find car owners with defective Takata airbags. The tool, which allows advertisers to reach a specified list of users, will match encrypted email addresses associated with recalled vehicle identification numbers to Facebook users. Takata Corp.'s airbag inflators have been linked to at least 18 deaths and 180 injuries around the world because they can rupture and shoot metal fragments into vehicles. **(Automotive News)**

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)**

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)

- **Lenovo settles with FTC for selling laptops preinstalled with adware.**
  Lenovo agreed Tuesday to settle charges levied by the Federal Trade Commission for installing malicious software on some of its laptops so it could deliver ads to consumers. The affected Lenovo laptops ran a preinstalled software program called Visual Discovery, which acted as a "man in the middle" between consumers' browsers and the websites they visited. (Ad Age)

Bloomberg stresses brand safety to advertisers, Twitter network

- Bloomberg's news division for Twitter has signed its first big advertisers as the introduction of its 24/7 streaming channel approaches. Goldman Sachs, Infiniti, TD Ameritrade and CA Technologies have inked deals to advertise on Bloomberg's forthcoming Twitter-only network, a project announced by the two companies in May. Bloomberg has been looking for sponsors to not only serve ads during breaks but be part of the content that will fill the nonstop news engine. (Ad Age)

- **Google was accused** in a lawsuit of systematically paying male employees more than females, adding the internet giant to a growing list of technology companies sued for gender discrimination. Three women who worked at Google in recent years sued in San Francisco Superior Court alleging that the company continues to pay women less than men for equal or similar work, according to a copy of a complaint provided by their lawyer. (Ad Age)

- **Breitbart ads plummet nearly 90 percent in three months**
  There were just 22 brands appearing on Brentwood-based Breitbart in November 2017, down from a high of 242 in March, according to Media Radar, which tracks ads on websites. Many conservative sites, including Townhall, The Blaze and National Review, have also had declines, although those declines are much less pronounced than Breitbart, according to MediaRadar. (Digiday)

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)

- **YouTube TV continues expansion, available in 80 metro areas**
  YouTube announced that its YouTube TV subscription service is now available in 34 additional markets and covers 80 metro areas in total. The $35-per-month streaming TV service offers an unlimited cloud DVR and live programming from over 40 channels. Those broadcast networks are usually the biggest hurdle that slows expansion for YouTube TV and its competitors Sling TV, DirecTV Now, PlayStation Vue, and Hulu's live TV service. (The Verge)

The SCBA Urges Caution regarding non-Radio Digital Advertising

While Radio has always welcomed competition from other media, the growing trend of some advertisers to spend their budgets in non-Radio digital platforms is, from our perspective, very concerning. In our "**Thought Leaders**" media post, the SCBA urges caution for any advertiser investing in digital platforms based on misleading gross impressions. The reality of deceptive digital advertising today and exactly who or what is seeing or hearing digital ads is highly questionable. We strongly recommend that advertisers read our post, "A Responsibility to the Truth" at www.scba.com before investing in search engines, third party networks, mobile ad networks, and/or websites that are misleading and dishonest. Please click the link below.

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 Service 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.

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

- **The SCBA/Nielsen Audio Radio Research Event** was Nielsen's groundbreaking new research on Radio's powerful Return on Investment for Radio advertisers. If you would like to learn more about this definitive research and would like to discuss any of the facts presented, please contact us at tcallahan@scba.com for details. 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. For details on this hot bed issue, go to: https://ballotpedia.org/California_Proposition_13_Tax_Transfer_Initiative_(2018)

We strongly urge clients to look ahead for their advertising planning as Radio station inventory should begin to tighten in late Q1 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 First Quarter of 2018

After extensive study of both category and competitive factors, the SCBA is projecting Q1 Southern California Radio advertising activity to be very active and consistent in the categories documented. While we continue to actively monitor and report on disruptive forces facing our clients, we are also looking for considerable growth as all the economic indicators clearly show consumer expansion for our Southern California markets.

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 Q1 and beyond. 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.

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 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 Q1 2018** as an important resource for your planning and understanding of the true power and competitive strength of AM/FM 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 2018 with our clients, partners, and friends.

Sincerely,

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December 19, 2017

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, Media Radar, Broadcasting and Cable. BIA/Kelsey. Restaurant Week. 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, Uber.com, Fox8 News, Standard Media Index, 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, California Association of Realtors, opensecrets.org, Us.pc.com, Worldpharmanews.com, Wards Automotive, ATT.com, Axios.com, Challengergray.com, Consumer Credit Services, Office of Immigrant Assistance, State of California, Sprint.com, Association of Home Appliance Manufacturers, Los Angeles Police Department, San Diego Police Department, Westfieldcorp.com, warnerbros.com, The Press-Enterprise,
Office of the Mayor of the City of Los Angeles.