Southern California Broadcasters Association

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

The SCBA Quarterly Market Guidance Report For Q3 2019

"Radio is everywhere in Southern California and its power to influence registered voters must be maximized in 2019 and 2020 for our numerous stakeholders" – Leading California Political Consultant

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 third 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 third and critical quarter of 2019**. The report looks primarily at the upcoming quarter and provides in depth 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 158 Radio stations, 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.

The following 2019 ad revenue outlook and the larger view of Broadcast Radio comes a from a variety of leading global and domestic agencies. We provide this overview as a reference source that underscores the growth of the advertising industry and Broadcast Radio in 2019.

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 a 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 2019 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 2019 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 will be 52% of all ad sales in 2019.**

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 Zenith

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 2019-2021. **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 2019.**

The new study, "Digital Voice Assistants: Platforms, Revenues & Opportunities 2019-2022," 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 recent 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 this data from BIA:

More than one third of businesses (35%) plan to increase their advertising spend in Q3 and Q4 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.

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 solutions.**

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.

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 now examines and tracks 28 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 Q3 2019 by also comparing Q3 2018 activity for seasonality as well as current YTD activity. We also account for projected market Intel for Q3 2019 and current market conditions by category. Please note that each category that is not increasing Radio ad spending is experiencing industry wide disruption and/or competitive pricing that is contracting the industry tracked.

The SCBA has expanded its analysis of the auto ad category with this Q3 2019 Guidance Report. The documented "softer" year for the automotive industry has meant 5 of the past 6 months has seen 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 May 2019, averaged $4,700 per vehicle, the second largest number of discounts/incentives since 2009. U.S. Consumer debt on outstanding auto loans now exceeds $1.3 trillion dollars, the largest amount on record. 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 with a flat to down year projected for the balance of 2019.

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 has partnered with Nielsen*** Audio to conduct our second ever regional research study on consumer behavior and media choices when buying new and used vehicles in Los Angeles and San Diego.

"The Real Value of Southern California Radio to the Auto Industry" is our latest documented study which brings value and attribution to a new level of understanding. The study and our recent video presentation in Los Angeles can be found at http://www.scba.com/article/20190227/ARTICLE/190229997 and the link to the video is: https://vimeo.com/iheartradiotheater/review/318639187/65458d652f

Our first compelling study entitled; **"The Local 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 in LA and in SD before capacity sized crowds. For a complete review of this powerful research study for either market, please visit Auto Path to Purchase where PowerPoint is available.

SCBA Observation: It is clear the auto industry and its dealers will face higher costs to reach their elusive 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 Q3 and Q4 2019. The continued ad spending on non-Radio digital platforms at the expense of other powerful media is not warranted when comparing customer acquisition expense to ROI.

"The Real Value of Southern California Radio to the Auto Industry" will reveal important actual consumer behavior and how it relates to motivation, consideration, and purchase. Please find the complete study for both LA and SD at http://www.scba.com/article/20190227/ARTICLE/190229997.

- **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 growth of -2% for tiers 2 and 3 for Los Angeles and -3% for San Diego for tiers 2 and 3 for the Q3 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 latest research study on today's automotive customer, **"The Real Value of Southern California Radio to the Automotive Industry."**

- *Please note*: At this writing, Gasoline prices are hovering in LA on average at $4.19 and in San Diego at an average of $3.95. Consumer demand is slowing for the big SUVs and is moving now towards smaller SUVs and light trucks.

- **Political/PAC/Prop Advertising** is a new category now being tracked and analyzed by the SCBA. We estimate that total 2018 political advertising for Southern California Radio was $21.5 million dollars, making it a top 6 category for total ad spending in 2018. Our research indicates an enormous growth opportunity in the subset of PAC and Proposition advertising for Q3 2019 and Q4 2019. The SCBA has launched a major outreach to California's political consultants to create value for our member stations and educate political parties on the power of Southern California Radio. We project new, incremental growth for Q3 and Q4 2019. And 2020 will be explosive for political advertising in Southern California.

- **Professional Services** which consists mostly of attorney services will remain a steady and predictable growth category in Q3 2019. Immigration issues as well as the ever-expanding personal injury and environmental health claims in Southern California will drive the growth. With recent federal efforts to reduce immigration, an uncertain future for "Dreamers", and the executive action that currently protects them from deportation called DACA as well as growing legal and personal bankruptcy challenges for Southern California residents, we project steady Q3 spending for personal and family legal services with growth rates of 3.5% for LA and 4.1% for San Diego.

- **Financial Services**, which consists primarily of personal consumer credit counseling and debt relief consolidation firms, will slow somewhat in Q3 with a 1.0% increase for LA and 1.1% increase for San Diego in Q3 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 in Q3 2019. Total household debt in the U.S. for May 2019 has hit a new record high of **$13.9 trillion dollars.**

- **Home Furnishings/Home Flooring**: With existing home inventory extremely tight and real estate prices on most homes now at a 20-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 or existing properties in California. With significant competitive pricing for new customers, and seasonal adjustment factored in, this segment will continue to adjust downward by -6.0% for LA in Q3 2019 and -7.2. % 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 $317 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%. With the peak Q2 period completed, we project a seasonal adjustment to a -7.5% decrease for Los Angeles in Q3 and a -11.4% decrease for San Diego in Q3 2019.

- **Cellular Carriers** ad spending in Radio slowed in Q2 as the industry absorbed continued losses from discounted data plans and disruptive industry forces. As a result, the SCBA does not see much improvement for Q3. The proposed merger of T-Mobile and Sprint, to be called the New T Mobile, will certainly change the competitive environment and produce more market share opportunities for the merged companies. This is a highly volatile and competitive space in a fully consolidated industry. Based on these dynamic market factors, the SCBA projects a 1.3% increase in LA and a – 3.0% decrease for SD in Q3 2019.

- **Restaurants, which include all fast food and quick and casual restaurants (QSRs)** have slowed in Q2 due more to a more regional approach to media placement by some clients and overall less consumer demand. This category should contract by -5.0% in Q3 2019 for LA and -3.5% for San Diego. We urge QSR clients to read the latest QSR research study from Nielsen to understand the full power and uncanny affinity of QSR peak visits and the key listening hours of SoCal Radio. Please see highlights of the QSR study: http://www.scba.com/article/20190611/ARTICLE/190619999

- **Health Care and related industries** has seen a YTD decline of -12% for SoCal Radio. The coming summer months are the peak times for healthcare visit increases due to vehicle, sports, and recreational accidents. Our region contains 45 hospitals, 26 cancer treatment centers, 19 skin care medical centers, 27 dental centers, and 14 Sports related medical centers. Based on historical trending for this upcoming quarter, we project a positive variance in Q3 of 1.4% for LA and 1.0% for San Diego.

- **Television/Networks/Cable**: This category has shown dramatic growth in less than 12 months using SoCal Radio. Local TV stations, TV networks, cable providers, and subscription video services have combined to make this ad category red hot for Radio. We project a seasonal adjustment for this segment that will still show growth of 7.5% for LA and 5.8% for SD in Q3 2019.

- **Casinos/Lotteries**: Massive remodeling of casinos and expanded operations with more rooms, gambling events, and spas in our region, and the increased entertainment value of booking major music talent, we project more regional travelers for the summer months to casinos during the Q3 period, which includes two major holiday weekends. 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 $8.8 billion dollars in 2019 in Southern California and directly employ 23,500 people. With current market conditions factored in, the SCBA projects an average 4.0% increase in spending on Broadcast Radio for Q3 2019 for LA and 3.3% growth for San Diego.

- **Groceries/Convenience**: Here is another key category in the midst of a significant turnaround in ad spending on Radio. We continue to project significant disruption for the grocery industry in Southern California in Q3 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 is experiencing selective growth based on same store sales, new openings, and additional competition from Target, Costco, and other big box retailers expanding their grocery business. 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 Q3 summer holiday periods, we project this explosive category to grow by 2.4% in LA and 7.3% in SD for Q3 2019. **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 Q3 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 fall 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 Q3 2019 as the medical health field's demand for trained workers continues unabated. The state of California has a critical shortage of trained healthcare workers and this segment alone is projected to get increased state and regional support to fill vacancies. We see a 3.9% growth for LA and a 3.1% increase for SD.

- **Personal Fitness/Weight Centers**: This category continues to mature and is now a more year-round advertising category as personal weight control centers are no longer seasonal and personal fitness centers are more targeted to group classes, specialized exercise, health plans, and personal trainers. Businesses are expanding their offer to share the cost of health clubs with their staffs, providing a more year-long category as opposed to a heavy Q1. Our seasonally adjusted projection for LA in Q3 is a 1.0% growth rate, with San Diego growing by 1.0% increase for the third quarter of 2019.

- **Oil and Gas**: **The average price of unleaded regular** gasoline, as of this writing in Los Angeles, the average is about $4.01 a gallon, and about $3.86 in San Diego. The "summer blend increase is now baked into retail gas pricing; however, OPEC continues its tight supply pricing, which will increase gas prices even more in Q3. 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 49% on average YTD through April 2019. With longer over the road trips, longer commuting times due to traffic congestion, and increased vacation driving during two holiday periods in Q3, the SCBA sees the gas and oil category rising to 3.6% in LA and 2.9% in SD for Q3 2019.

- **The Internet/e-Commerce Category**: Both Amazon and LinkedIn lead the way in this ever-growing segment of our industry. Based on industry intel, we also see a number of new platforms launching in Q3 that will utilize the strength of Radio to drive trial and consideration from consumers. Newer non-retail categories are returning to Broadcast Radio for awareness and recognition while 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 increase for our region in Q3. A growing trend for this segment includes voice queries growing for e-commerce sites in Q3 and Q4 in 2019. By 2020, 51% of all searches will be made via voice. We see this segment continuing in Q3 2019 at a seasonally adjusted overall regional rate of growth for LA of 4.5% and San Diego at 2.6%.

- **Department Stores/Discount/Shopping Centers**: Another category experiencing solid ad growth for radio after considerable erosion in 2018 for LA due to forces outside of Broadcast Radio's control, mainly from the internet and powerful I-retail monster, Amazon. The retail sector which includes department stores, strip centers, discount stores, and name brand retailers is expected to adjust somewhat in Q3 but maintain consistent growth. The SCBA projects Q3 2019 growth as 5.5%. San Diego remains 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 6.5% for the robust retail trade on the border in San Diego.

- **Drug Stores/Pharmaceuticals** will remain a consistent and growing ad category for Radio in Q3 for Southern California. Two primary reasons for this growth include over 700 drugs (and growing) 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 27% higher during the summer months as retail traffic grows for the two holiday weekends. We project 4.4% increase in Q3 for LA spending and a 3.0% increase for San Diego.

    - ***Please note:*** The CVS purchase of Aetna Health for $69 billion dollars will significantly change the relationship between drug retailer and health insurance providers and will have significant implications for the consumer. We see considerable consolidation in this sector in 2019.

- **Computers/Office Furniture/ Equipment and Supplies** will continue its remarkable growth pattern for Broadcast 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 11% YTD through April 2019 for LA, and 9% for SD applications. Demand and growth for office space, office furniture, and equipment will increase by 3.1% regionally in Q3 2019.

- **Heating/Air Conditioning** will continue its impressive ad growth pattern in Q3 2019 as the hot summer months will drive more A/C repairs, expanded service agreements, and continued remodeling of existing homes, condos, and apartments as well as new unit sales. This category follows a similar pattern to the home improvement sector. The unusual weather patterns and the 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. 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. Based on seasonal demand and the busiest period for this sector, we project this category to grow 6.4% for our region in Q3 2019.

- **Auto Parts/Service**: This important category is entering its peak summer season to a potential service market of over 18.4 million registered vehicles in Southern California. (DMV, May 2019) The growth in this sector is coming from tires, transmission work, and full-service repair advertising clients. 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 on tires and service demand more service for the daily commuter. With EOM's using synthetic oils, and improved powertrains, oil and parts replacements are being extended. Despite that trend, 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 10.8 billion in 2019 and 11 billion in 2020 nationally. Adjusting for the slower season, we see 3.1% for LA and 1.6% growth rates for SD in Q3. 42% of online auto parts sales are made through mobile so retailers must include their app and a reminder for 24-hour delivery terms. Adjusting for the peak summer season, we see 4.5% growth for LA and 4.1% for SD in Q3 2019.

- **Hotel/Motel/Resorts** business has been very solid as tourism and a much stronger 2019 economy has driven more tourists, travelers, vacationers, conventions, and business meetings to Southern California. The segment has grown YTD by 53% in LA and 27% in SD. However, we see seasonal summer adjustments for Q3 in San Diego at 1.8% and project LA at 3.8% for the quarter.

- **Lawn and Garden's** traditional peak consumer buying season will begin to tail off in Q3 as spring gardening and yard and garden planting will be completed. The market points to 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 "hardscape" yard environments. Projecting a 1.4% increase for the region in Q3.

- **Security systems** advertising was down somewhat in Q2 in both markets but summertime is the peak buying season for installed security systems as there is 31% more burglaries and home intruders during July and August in Southern California. Los Angeles is ranked as the 4th most dangerous city in the U.S. while San Diego crime rates are the lowest in decades. New technology security systems have been introduced with higher margins for security firms, and new Wi-Fi products to further protect homes and property, which will increase ad spending. Biometrics or face recognition will begin to replace traditional numbered passwords on entrance keys in 2019 for greater home security and protection. We see LA Radio ad spending increasing by 2.0% for LA and 1.0% for San Diego in Q3 2019.

- **Recruitment/Employment** Radio advertising was very hot in Q2 in both markets and is expected to continue that trend in Q3. Indeed.com and U.S. Army led the way in Radio recruitment advertising. With regional unemployment rates the lowest in ten years, and a very robust job market, we see recruitment advertising accelerating as new budgets and new jobs appear in Q3 throughout the region with a 2.2% increase for Q3 2019 for LA and 1.1% for SD. Look for more on-line job posting firms to market themselves through Southern California Radio as the most efficient recruitment tool for hundreds of job postings and career categories. With record unemployment, the job market is highly competitive.

- **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 22% nationally by end of 2019. 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 Q3 seasonal adjustment growth rate for our region of 3.3% for LA and 3.1% for San Diego.

- **Jewelry stores/Pawn Shops** This category analysis has had explosive growth from San Diego in Q1 and Q2 and more modest but consistent growth from LA. With a robust economy, higher consumer debt, and the constant cross-country border shopping from Tijuana to San Diego, this category, covering both ends of the economic status of consumers, will adjust seasonally to 1.5% in Q3 for SD and 1.0% for LA.

- **Insurance** is a large variety of subsets including auto, home, and Life. While LA will see growth of 3.8%, San Diego insurance advertising will continue its hot streak with a 4.3% growth rate for Q3. The auto category and all of its dependent service industries such as auto insurance remains our region's strongest industry category.

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

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

The SCBA provides this 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.

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 focused on revenue growth, building their brands, and driving market share.

Regional Economic Overview

Southern California's estimated gross domestic product will now exceed $1.7 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 $645 billion. The state of California is now the **5th largest economy** in the world, ahead of the United Kingdom, and is expected 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 Q3 2019 in these industries based on 2019 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 2018. 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 year**

Q3 2019 poised for even further growth as Broadcast Radio expands its listenership, influence, and importance:

- Weekly cume and average time exposed (or TSL) 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, Pandora, and all other measured media.

- 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.

- 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.

- **81%** of Southern California Radio Listeners are in the work-force. That's 8.6 million qualified consumers listening every week. Source: National Regional Database, Fall 2018, Persons 18-64, Los Angeles, Riverside/San Bernardino and San Diego Metro.

- **80%** of Southern California ***Hispanic*** Listeners are in the work-force. That's 3.8 million qualified Hispanic consumers listening every week. Source: National Regional Database, Fall 2018, Hispanic Persons 18-64, Los Angeles, Riverside/San Bernardino, and San Diego Metro.

- ***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."**

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 for 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 December 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 http://www.scba.com/article/20190227/ARTICLE/190229997

- The first SCBA/Nielsen research study entitled, "***The Local Path to Automotive Purchase***" can be read in its entirety at http://www.scba.com/article/20170608/ARTICLE/170609999. 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 Third Quarter of 2019

After extensive study of both category and competitive factors, the SCBA is projecting Q3 Southern California Radio advertising activity to be robust in a number of 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 Q3 and beyond. The SCBA studies market, consumer, and industry trends and can assist and advise clients on a variety of media solutions for Southern California.

If you have any questions about the **SCBA Quarterly Market Guidance Report** for the third quarter, or if you would like to schedule an in-depth discussion about your advertising plans using Southern California Radio, its digital platforms, and its many business solutions for Q3 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 Q3 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 strong Q3 2019 with our clients, members, friends, and partners.

Sincerely,

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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.