



Radio Continues to Mine New Advertisers

Price Value Segment Grows in Down Economy

Digital Platforms Continue Positive Trend

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New York, New York – August 21, 2009 – As Q2 unfolded, increasing signs of an improving economy emerged, indicating that “we are most likely past the Q1 low point for Radio revenues and are now on the rebound,” stated Jeff Haley, President and CEO of the RAB. Much of Radio’s weakness in Q2 and for the first six months of 2009 is linked to marketers associated with the auto industry (formerly Radio’s top ad category, now #3) and major retailers feeling the impact of shaky consumer confidence and spending.

Some advertisers, previously unable to compete against their category’s leaders, are using this opportunity to increase their share and position within the market. “Taking advantage of Radio’s core strengths, advertisers marketing to the price/value consumer are increasing their share of voice on the airwaves – providing encouraging signs,” remarked Haley. These signs are visible across various reporting categories: Restaurants, Communications, and Automotive, particularly imports. Among those Local and National advertisers leading the charge are: Subway, Dunkin Donuts, Boost Mobile, US Cellular, Metro PCS, Mitsubishi, Volvo and Honda Motor Corporations.

Radio’s revenue derived from Digital platforms continues to rise, illustrated by a 10% increase at 2009’s mid-point. Digital will be an increasingly important sector as Radio continues to evolve into a cross-platform medium. The ability to leverage local advertisers should boost revenue significantly.

Revenue Comparisons - 2009 vs. 2008				
(In Millions)				
Revenue	\$ Q2 '09	% Chg	\$ 1st Half 09	% Chg
Local	2,831	-25%	5,185	-25%
National	591	-24%	1,064	-25%
Local & National Combined	3,422	-25%	6,249	-25%
Network	274	-10%	512	-11%
Digital	120	9%	221	10%
Off-Air	355	-13%	619	-13%
Grand Total	4,171	-22%	7,601	-23%

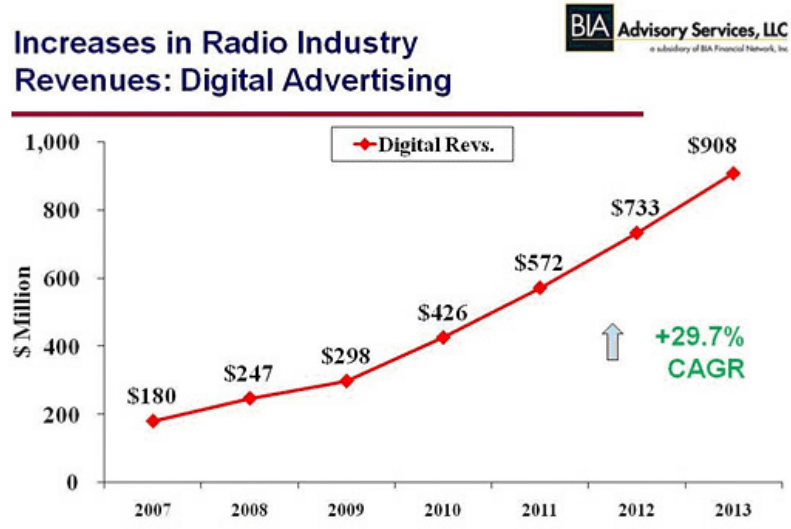
Source: Miller, Kaplan, Arase & Co.*

Off-Air was previously referred to as Non-Spot

Digital consists of all revenue derived from radio websites

Prior to the downturn RAB projected Off-Air, then comprising Digital and Off-Air revenues, to reach \$2B in 2009. Based upon current levels, indicators are that these two sectors in combination may approach this mark by year-end, despite the economy. (Effective 2009, the RAB separately reports Digital and Off-Air.)

As confirmation, a recent projection from BIA anticipates Digital advertising alone on Radio is on an upward track.



*Local, National, Digital and Off-Air revenues are based on a pool of more than 100 markets as reported by the accounting firm of Miller, Kaplan, Arase & Co. and extrapolated to the entire U.S. The methodology to derive the 2007 local, national, digital and Off-Air (non-spot) quarterly dollar amounts has been recalibrated and maintains previously reported quarterly total revenue while reflecting a shift in the dollars within the sectors. Digital Revenue is comprised from activity generated by the websites, internet/web streaming and HD Radio including HD2 and HD3 stations. Network Revenue includes the top five Radio network companies. Non-Spot data has been collected and verified since January of 2002, and reported since September of 2004.

The RAB began reporting quarterly Radio revenue in dollar amounts with the 2007 results.

The Radio Advertising Bureau serves more than 6,000 member Radio stations in the U.S. and over 1,000 member networks, representative firms, broadcast vendors, and international organizations. RAB leads and participates in educational, research, sales, and advocacy programs that promote and advance Radio as a primary advertising medium.

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Advertiser Category Analysis

Bright spots in the Radio revenue scenario are provided by price and value advertisers increasing their spending across Radio sectors.

Restaurants

Even while they're tightening their belts, Americans still want to reward themselves with a restaurant meal. Local and National spending by advertisers looking to cash in on this trend – while down 11% for both the quarter and YTD – moved the restaurant category into the top Radio spot for Q2 and solidified the #2 position year-to-date.

Dunkin Donuts has been pouring dollars into Radio as the gourmet coffee wars heat up. With Q2 '09 spending up by almost one-fourth over Q2 '08, YTD is running an impressive 37% ahead – placing Dunkin Donuts at a strong #4 within its category (now just 5% approaching #3 Wendy's) – and up from 6th in '08.

The price/value chains Jack In The Box, White Castle, and Arby's – returning to their Radio roots - have all made huge additional commitments to Radio in Q2 and YTD 2009 (see chart below) to spread their messages to cost-conscious consumers. Based on first-half spending, Jack in the Box, White Castle, and Arby's rank #10, #12, and #14 in the category, up from #25, #35, and #58, respectively, for the same period in 2008.

Many Restaurant category advertisers have upped their spending in 2009, providing Radio some good news. Prominent among them are:

Restaurants 2009 vs. 2008 Local and National Radio (In Millions)				
Advertiser	\$ Q2 '09	% Chg	\$ 1st Half '09	% Chg
Subway	24.7	71%	44.2	21%
Dunkin Donuts	24.4	23%	47.5	37%
Romano's Macaroni Grill	7.0	138%	10.7	148%
Jack in the Box	6.9	198%	11.8	133%
White Castle	6.0	96%	10.8	156%
Arby's	5.0	382%	10.4	633%

Source: Miller, Kaplan, Arase & Co.,: X-Ray Markets

(Extrapolated dollar amounts based on the 35 market X-Ray pool may not be fully indicative of industry results as a whole.)

McDonald's retains its dominance in the category, significantly outspending its two closest competitors Burger King and Wendy's combined (+25% in Q2 and 39% YTD). With Radio spending off only slightly for the year (-9%), McDonald's continues as Radio's #3 spender overall. In the battle for second in this arena, BK has a tenuous hold on YTD, although flipped by Wendy's for the ranking in Q2.

Communications/Cellular/Public Utilities

Based on year-to-date Local/National expenditures, this category continues to dominate Radio's airwaves, despite slipping to the #2 spot behind Restaurants in Q2. AT&T remains the top advertiser in-category and for Radio overall, but Verizon Wireless has now narrowed the gap by 11 percentage points in the last quarter and 15 percentage points YTD (and is Radio's second-biggest spender).

Offsetting cutbacks by the two titans, a number of smaller carriers stepped up their spending to help buoy the category in Q2: Qwest Communications (+57%), Leap Wireless (+44%), Boost Mobile (+34%), US Cellular (+26%), and Metro PCS (+19%). For the year to date, Boost Mobile's spend is more than triple last year (+310%), while US Cellular and Metro PCS improved their outlays by +53% and +52%, respectively; also making themselves heard were Leap Wireless (+34%) and Virgin Mobile (+128%).

In contrast, AT&T Mobility made a statement with the Network sector's Q2 '09 ledger with \$3.3M when compared to no activity same time period last year. SprintNextel boosted their quarterly spending up to \$3.1M (+425%) closing out the first half of 2009 with a 97% increase to \$5.8M.

Auto Dealers/Dealer Groups/Manufacturers/Rentals

The industry has been fraught with problems for the past year, but Automotive advertising may be turning the corner. While most auto advertisers had their foot on the brake through the first half of 2009, Q2 results give some reason to hope that the slowdown is easing. Within the Local and National sectors, the overall category came in at half of Q2 2008 spending – yet markedly improved over the 58% lag in Q1 '09. 2009 YTD results are at 51.3% of last year. Once the leading Radio ad category, Automotive now ranks third.

Automotive advertisers that pumped up their Radio commitments in Q2 are Mitsubishi Motor Corp. (+36%, to \$9.9M); Volvo Motor Corp. (+109%, to \$7.2M); Honda Motor Co, (up over five fold, to \$6.8M) – with Honda Dealer Association flat at \$11.7M; Hyundai Motor Corp. (+49%, to \$5.3M); Audi Motor Corp. (+32%, to \$3.7M); and Kia Motor Corp. (+230%, to \$3.4M) – with Kia Dealer Association also up (+28%, to \$2.4M). Rental firm Hertz increased their Radio spending six fold, to \$2.2M.

Toyota represented Radio's top auto spender in Q2, at \$19.9M, followed closely by Ford Dealer Association (\$18.7M). Ford Motor Corp. at \$13.4M ranks third in the category, while CarMax at \$12.2M comes in fourth; aforementioned Honda Dealer Association rounds out the top 5 at \$11.7M.

Looking at 2009 as a whole, several import nameplates stand out with full-YTD spending ahead of last years comps: Volvo Motor Corp. (+124%, to \$16.2M) – and Volvo Dealer Association (+242%, to \$3.0M); Audi Motor Corp. (+107%, to \$6.8M); Hyundai Motor Corp. (+4.9%, to \$6.0M); and Kia Motor Corp. (+178%, to \$4.8M).

Creating a positive impact within the Network sector, this category grew 21% (up \$6.9M) in second quarter and 17% (up \$9.6M) at the half-year mark. These increases were greatly influenced by corporate automotive campaigns and, in one particular instance, a relatively new advertiser to the sector.

Automotive 2009 vs. 2008 Network Radio (In Millions)				
Advertiser	\$ Q2 '09	% Chg	\$ 1st Half '09	% Chg
GM Corp. Div. (GM)	8.9	27%	16.4	72%
Ford (Auto & Truck Division)	2.9	13%	5.5	6%
Carfax	2.0	57%	3.4	68%

Source: Miller, Kaplan, Arase & Co.,: X-Ray Markets

(Extrapolated dollar amounts based on the 35 market X-Ray pool may not be fully indicative of industry results as a whole.)

Television/Networks/Cable Providers

TV and Cable companies are benefiting from Americans' increasing tendency to entertain themselves at home – and spending on Local and National Radio puts the category in 4th place overall for Q2 and YTD. With spending just about even with 2008 thus far this year, Comcast Cable tops the category – outspending Fox TV by more than 2 to 1 in the first half – and outspending Time Warner Cable by more than 3 to 1 in second quarter.

Among media players who have channeled additional dollars into Radio in 2009 are these cable networks:

Television/Networks/Cable Providers 2009 vs. 2008 Local and National Radio (In Millions)				
Advertiser	\$ Q2 '09	% Chg	\$ 1st Half '09	% Chg
TNT Turner Network Television	10.6	874%	21.1	635%
Lifetime Cable Network	10.2	60%	21.3	11%
USA Network	9.5	73%	11.7	25%
BET Black Entertainment Network	5.3	10%	12.2	11%
Showtime	3.2	61%	5.9	156%

Source: Miller, Kaplan, Arase & Co.,: X-Ray Markets

(Extrapolated dollar amounts based on the 35 market X-Ray pool may not be fully indicative of industry results as a whole.)

Grocery/Convenience/Liquor Stores

With the tough economy prompting more consumers to brown-bag lunches and share family dinners at home, quite a few food marketers and retailers are zeroing-in on Radio's ability to reach consumers in a shopping mode. The list includes a combination of local and national chains: Supervalu (+270% in Q2, +409% YTD), 7-Eleven (+156%/+91%), Publix Supermarkets (+75%/+81%), HEB Food Stores (+384%/+287%), Meijer Food Stores (+61%/+49%), Whole Foods Market (+53%/+104%), and Quiktrip (+343%/+278%). Safeway and Kroger are still big leaders in the category, despite cutting back by approximately one-fifth in both Q2 and year to date.

Professional Services

As consumers seek out additional ways to save money, specialized advertisers will increase their advertising expenditures to promote the value of their services. Within this category, it's clear that a battle of the blades is occurring – a haircut battle. Of the top 13 advertisers, three are haircutting services and have collectively increased their spending 25% and now account for 18% of the category.

Professional Services 2009 vs. 2008 Local and National Radio (In Millions)		
Advertiser	\$ Q2 '09	% Chng
Great Clips	6,538.0	27%
Supercuts	2,701.0	35%
Sport Clips	2,267.0	11%

Source: Miller, Kaplan, Arase & Co.,: X-Ray Markets

(Extrapolated dollar amounts based on the 35 market X-Ray pool may not be fully indicative of industry results as a whole.)

Specialty Retail

Specialized retailers infused Radio's Local and National sectors with a 19% second quarter increase, bringing the first half of 2009 up 7%. Specifically, advertisers touting style and value, such as GAP Clothing, K & G Fashion Superstore and Famous Footwear collectively increased their Q2 '09 spending three-fold (up \$14.5M) versus same time period year ago and represent 26% of the category's spending.

GAP, the category's spending leader increased their Q2 '09 spend (up \$10.2M). First time 2009 advertiser K & G Fashion Superstore contributed to the quarter's increase.

Specialty Retail 2009 vs. 2008 Local and National Radio (In Millions)		
Advertiser	\$ Q2 '09	% Chng
GAP Clothing	11,555.8	760%
K & G Men's Center Clothing Store	4,188.5	100%
1-800-Flowers	4,162.3	22%
Famous Footwear	3,717.9	4%
Luxottica Group Eyewear	3,310.7	1850%

Source: Miller, Kaplan, Arase & Co.,: X-Ray Markets

(Extrapolated dollar amounts based on the 35 market X-Ray pool may not be fully indicative of industry results as a whole.)

Retail – Including Home Improvement, Department Stores, Discount Stores & Shopping Centers

Retailers looking to broaden their customer base by offering value to cost conscious shoppers are noticeably increasing their advertising in the Local and National sectors.

Within the subcategory of Department Stores, Kmart was the third highest spender within Q2 '09 with a 93% increase versus same time period year ago (up \$5.2M). Burlington Coat Factory also increased their quarterly spend nearly three-fold (up \$2.4M). Offering savings in the Home Improvement sub-category, Ace Hardware increased their quarterly spending 56% (up \$1.1M) and True Hardware was up \$2.3M - both ending first half '09 up (21% and fifteen-fold respectively).

Political

The bulk of political dollars was spent within the Local and National sectors. Issue, local office and political organizations introduced \$10.4M to Radio's Q2 '09 bottom line. Centering on the healthcare debate and fueled by various factions' efforts to influence public opinion, issue advertising alone accounted for \$3.6M in Q2. This additional Q2 '09 revenue closed out the first half of 2009 at \$13M.

Local and National Advertiser Category analysis is based on data from Miller, Kaplan, Arase & Co. X-Ray Market Reports. X-Ray Market Reports are compiled from advertiser expenditure data direct from station billing in 35 markets, extrapolated to the entire U.S. Extrapolated dollar amounts may not be fully indicative of industry results as a whole. X-Ray Markets represent approximately 80% of the dollars from the pool of 100 markets.

Network Radio Advertiser Category spending analysis is based on data from TNS Media Intelligence.

If you have any questions, please email revenuereport@rab.com or call 212-681-7200.