



Off-Air, Digital Gains Bolster Spot and Network to Deliver Flat 2014 for Radio

Industry Benefits from Increases in Communications, Health Care, and Insurance Spending

New York, New York – February 20, 2015 – Radio ended Q4 and full year 2014 with revenues comparable to those reported at year-end 2013 and 2012. In addition, Radio’s Digital and Off-Air sectors delivered impressive growth rates throughout the year, which also saw slight dips in the Spot and Network sectors.

Revenue Comparisons - 2014 vs. 2013				
(In Millions)				
Revenue	\$Q4 '14	% Chg	\$FY '14	% Chg
Spot	3,567	-2%	13,633	-3%
Network	274	-7%	1,072	-4%
Digital	253	+4%	973	+9%
Off-Air	519	+18%	1,831	+16%
Grand Total	4,613	Flat	17,509	-1%

Source: Miller Kaplan Arase LLP*

“Radio held its own in 2014 with Radio revenue remaining steady despite an economic climate which saw some businesses tightening their spending in Q4 due to reduced consumer confidence,” said RAB’s President and CEO Erica Farber.

Farber noted that the increases in Digital revenue throughout the earlier year continued in Q4, and the year-over-year comparison was healthy versus double-digit gains for 2013 over 2012. “Digital revenue growth indicates that Radio is meeting marketers’ growing commitment to reach consumers via all digital ad channels, and this continued growth confirms Radio’s position as a true marketing partner,” added Farber.

Radio’s Top 10 Advertisers in Q4 2014 (in rank order):

- AT&T
- Comcast Xfinity Cable Services
- T-Mobile
- McDonald’s
- Verizon Wireless
- GEICO
- MetroPCS
- Toyota Dealer Association
- Safeway
- PepsiCo

Radio’s Top 10 Spot categories in 2014 were (in rank order):

- Auto Dealers/Dealer Groups/Manufacturers/Rentals
- Communications/Cellular
- Financial Services
- Health Care
- Professional Services

Restaurants
Television/Networks/Cable Providers
Insurance Companies
Grocery/Convenience Stores
Education

Among Radio's top Spot advertiser categories, #2-ranked Communications/Cellular was up 1% over full-year 2013 spending, as were #4 Health Care (+4%), #5 Professional Services (+4%), and #8 Insurance Companies (+3%). Top categories lowering their Radio volume in 2014 were #1 Auto Dealers/Dealer Groups/Manufacturers (-2%), #3 Financial Services (-9%), #6 Restaurants (-11%), #7 Television/ Networks/Cable Providers (-10%), #9 Grocery/Convenience Stores (-14%), and #10 Education (-6%).

*Spot Radio, 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 LLP and extrapolated to the entire U.S. Digital Revenue is comprised from activity generated by websites, Internet/web streaming and HD Radio including HD2 and HD3 stations. Network Revenue includes seven major Radio network companies. Revenue data has been randomly verified since 2002.

The lineup of markets/stations may vary from year to year. Percent change is calculated on revenue adjusted to current year reporting.

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.

Political Overview

At the end of 2014, political spending totaled \$80M within the Miller Kaplan markets. Spending by candidates and various PACs and issue advertisers dominated the airwaves and combined accounting for 84% of FY 2014 spending. Dollars between these two sectors was closely split (Candidates \$35.8M; Issue \$32M).

Political Insights from Leo Kivijarv, Ph.D., VP/Research, PQ Media

What is your overall view of 2014 as it pertains to political?

Political media buying in 2014 fell a little over 1% compared with the 2012, to slightly under \$6 billion.

Although this election did not include presidential candidates, there were three times as many gubernatorial races than two years ago. When the campaign season began, some pundits predicted a record year due to the Supreme Court ruling a few years ago that allowed for the formation of SuperPacs. Instead, this year we saw candidate restraint in spending money on media, rather shifting budgets to more grassroots strategies that would get voters to the polls, like organized ridership programs for the elderly.

What is your view as it pertained to Radio?

Radio advertising continued the trend of rising at a faster clip during off-year elections.

While presidential candidates do spend money on the medium, usually they are focused purchases on specific genres, such as talk, and occur during primaries or near the end of the campaign in an effort to get loyal party members to vote. The loss of presidential revenues is always compensated by the higher number of gubernatorial candidates who rely more heavily on certain local media, such as radio, to reach their constituencies in smaller, rural towns. Thus, political media buying in radio jumped almost 25% in 2014, close to the growth rate posted in 2010, exceeding \$400 million.

What is your perspective as it pertains to overall Q4 results?

The fourth quarter of any political campaign is unique when compared with the other three quarters of the year.

In essence there is only one month of political media buying, as the election is held during the first week of November. Conversely, as the election date nears, candidates, SuperPacs, and groups supporting/opposing a ballot issue, spend more on media than any other month of the campaign, sometimes as much as one-third of their budgets.

As stated in previous quarterly analysis for the RAB, control of the Senate was the driving force behind spending trends. As it became clearer which seats were the most vulnerable SuperPacs and the national political party committees concentrated their efforts on about a dozen states. Of these, Republicans unseated Democrats in nine states, while the Democrats were unable to claim victory for any Republic-held seat. However, many of these states where the Republicans won did not contain large DMAs, with the majority of the battles being fought in DMAs ranked below 150, such as Juneau (Alaska), Jonesboro (Arkansas), Grand Junction (Colorado), Ottumwa (Iowa), Alexandria (Louisiana), Glendive (Montana), Rapid City (South Dakota) and Parkersburg (West Virginia). Only five DMAs ranked in the top 50, led by Denver, and four in North Carolina (Charlotte, Raleigh/Durham, Asheville/Greenville, SC, and Greensboro/Winston Salem). Thus, the double- and triple-digit rises in spending that occurred in relevant markets had among the lowest CPMs nationwide, limiting the impact on the aggregated results for the quarter.



Dr. Leo Kivijarv is a respected source of analysis for more than 100 news and trade sources including Bloomberg TV, NPR Radio, MSNBC, Fortune, Kiplinger's, and Broadcasting & Cable.

PQ Media is a leading provider of econometric data and strategic insights to executives in the global media, entertainment and technology industries. PQ Media employs a proprietary econometric methodology to provide clients with actionable market intelligence necessary to achieve their growth objectives in a fast-changing global marketplace. The PQ Medianomics™ research system relies on comprehensive databases, proprietary algorithmic models and exclusive industry leader panels. We track, analyze and forecast media operator revenues, end-user consumption and consumer spending across more than 100 digital, alternative and traditional media platforms and channels in leading markets worldwide, including the PQ Media Global Digital Media & Technology Research Series, a three-report series that provides the first holistic view of the world's media economies. For more information, contact Dr. Kivijarv at lkivijarv@pqmedia.com or 203-921-0368.

Advertiser Category Analysis

Q4 and Full Year 2014

Auto Dealers/Dealer Groups/Manufacturers

Borrell Associates reported in November that over half of all automotive advertising dollars would be spent on digital media for the first time in 2014. Despite this sharp turn, Radio garnered nearly equal comp sales within its most important Spot advertiser category (-2% full year, -3% in Q4).

With new vehicle sales brisk throughout the year, many auto advertisers braked on their Spot Radio Q4 expenditures from same period '13, and many by double digits. Among the leading spenders, Fiat Chrysler Automobiles was the exception, adding 32% from Corporate coffers and 2% from the Dealer Association; Chevrolet Dealer Association was also up 2% in the quarter.

Toyota Dealer Association was the dominant Automotive category leader (and #8 overall) in Radio spending for full year 2014, allocating 57% more to the medium than co-ranked #2 Honda and Ford Dealer Associations – although all three lagged behind 2013 levels. Offsetting this somewhat, others comprising the top 5 for the category were up over last year: Chevrolet Dealer Association (+18%), Nissan Dealer Association (+6%), and Fiat Chrysler Automobiles (+10%).

Though not yet in the top echelon of Automotive spenders on Radio (#17 in Q4, tied for #27 for the full year), online pricing service TrueCar.com substantially increased their Radio presence in 2014.

Auto Parts/Service

Despite an overall spending decline for the quarter (-7%), double-digit increases by top category advertisers helped to top off the year with a 4% uptick.

Category leader O'Reilly Auto Parts zoomed to the top with a 12% increase in Q4 – ending 2014 up 15%. #2 at year-end, Advance Auto Parts was up 75% for the 12-month period despite a 60% decrease in Q4. AutoZone increased Q4 spending 19% (ranked at #2 for the quarter) and ended 2014 flat versus comps.

Beverages

With the holiday season in full swing, beverage category advertisers poured 2% more into Spot Radio than in Q4 2013. 2014 category leader Pepsico (#2 for the quarter) increased their Q4 spending by 25% ending the year down 7% (#1 at year-end),

Other beverage brands that increased Spot Radio were:

Beverages 2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q4 '14	FY '14
Bacardi	+468%	+24%
Remy Cointreau USA	+572%	+474%
Red Bull	+208%	+19%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Casinos & Lottery

While some Casino and Lottery advertisers increased their bets on Spot Radio, it was not enough to offset a 7% decline for both the quarter and full year.

FanDuel.com, the fantasy sports site, nearly tripled the ante in Q4 (+288%) to end the year up 103%. DraftKings.com, in the same genre, increased Q4 spending over three-fold and full year nearly seven-fold versus comps. Radio was a winner as combined spending by these two was up 206% over 2013.

Other top advertisers with increases for the quarter and full year:

Casinos/Lottery 2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q4 '14	FY '14
Caesars Hotel & Casino	+136%	+185%
Morongo Casino Resort	+14%	+25%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Charitable/Religious/Non-Profit

Radio is known for its effectiveness in driving results for community and charity related causes. Spenders in the category gave Radio 5% and 6% increases respectively for the quarter and full year.

Kars4Kids, top category spender for 2014 was up 2% in Q4 and 14% for the full year. Q4 marks their third consecutive growth quarter.

Ranked at #2, Goodwill Industries ended the year flat despite a 16% decrease in the quarter. Salvation Army, coming in third at year end, also increased spending for the quarter and full year – 4% and 3% respectively.

Communications/Cellular

Three of Spot Radio's "Top 10" advertisers derived from the #2 spending category in 2014 – AT&T, T-Mobile, and Verizon Wireless rank #1, #3 and #5 on the list respectively.

Spending within the category was up 1% for the full year compared to '13, while Q4 declined by the same percentage. AT&T retained its top ranking based on a 3% increase over the 12-month period; following in rank order, T-Mobile, Verizon Wireless, and MetroPCS grew 5%, 13% and 29% respectively, and Sprint dropped 39%.

For Q4, T-Mobile increased its share of Radio voice by 55% and outspent all other competitors; AT&T was flat, Verizon Wireless was down 3%, MetroPCS which was down 49%, and Sprint added 40% over Q4 2013.

Concerts/Theaters/Movies

Movies projected a 4% increase onto Spot Radio in Q4. Lead movie advertiser Universal Pictures upped Q4 spending by over two-thirds, and ended 2014 up 1%. 20th Century Fox's on-air activity grew by 1% for the quarter, ending the year up 9%.

Concert and event promotor Live Nation topped the charts as the category lead spender for the quarter and twelve-month period, while down 15% and up 3% respectively.

Increases from various advertisers were not enough to offset a year end decline of 2%.

Department & Discount Stores

With advertisers pushing holiday ads to earlier in the year, spending within this category dipped in the October to December period (-5%).

A 55% markup in Q4 helped Target take the lead and knock Walmart (+29%) to the #2 position for the quarter. Walmart retained the #1 rank for full year spending despite a 3% reversal, while #2 Target was up 10% versus 2013 full year.

Financial Services

Radio Spot spending declined 9% in 2014 (-8% in Q4) as financial advertisers moved substantial portions of their budgets to mobile and other digital platforms. The shift is seen as driven by broad market trends as well as a logical tie-in to the industry's goal of moving business and consumer financial transactions to mobile and online channels.

JPMorgan Chase - Radio's top financial advertiser by a wide margin - added 28% to Radio's coffers in 2014, despite a 41% cut from Q4 comps. American Express charged up a full year increase of 106% to move into rank #4 from 15th, but Q4 spending lagged last year's by 62%. CashCall took the top slot for Q4 financial advertisers while cutting back 9% for that period and 48% for the full year.

Grocery/Convenience Stores

Spot Radio spending in the food marketing category was off 18% in Q4 and off 14% versus full year 2013 comps, with cutbacks nearly across the board among top-tier advertisers.

Fresh & Easy Neighborhood Markets was a notable exception, moving into the 9th rank spot in Q4 versus negligible spending in that span last year. This one came in at #11 within the category for the year off a 17% full year increase.

Health Care

At the end of 2014, this category injected Spot Radio with a 4% boost despite a small decline in the fourth quarter (-2%).

While regional hospitals make up most of the category spending, there are national advertisers that influence the bottom line:

- Ideal Image ranked at #1 for the quarter and full year although down 43% and 12% respectively.
- Lasik Plus took the third spot for Q4 and 2014, up 28% and down 14% respectively.
- Center for Medical Services ended the year up 95% despite a 50% decline in the quarter.

Home Furnishings

As consumers continue to get informed on the health benefits of good sleep, category advertisers use Spot Radio to spread the word about mattress deals.

Mattress Firm is securely positioned as the top spending category advertiser for Q4 and 2014 with double digit increases – 11% and 15% respectively. Select Comfort ranks #2 for both periods in spite of 47% and 43% declines in the quarter and 12-month period versus comps.

Advertisers ranked #3 through #6 in the category all upped spending:

Home Furnishings		
2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q4 '14	FY '14
Sleepy's Mattress Professionals	+15%	Flat
Sleep Train Mattress Center	+7%	+4%
Art Van Furniture	+40%	+8%
Sleep Country USA	+4%	+4%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Home Improvement

As winter weather approached, some advertisers within this category hit Spot Radio airwaves to remind consumers where to find seasonal needs. A brief listing of those advertisers:

Home Improvement		
2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q4 '14	FY '14
Menards Building Supply	+4%	+3%
Renewal by Andersen Windows	+303%	+166%
Ace Hardware	+43%	+43%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

After a brief hiatus from top ranking, Home Depot is back at #1 for both the quarter (-4%) and at the end of 2014 (up 11%).

With mixed spending patterns reported, the category came in nearly flat for Q4 (-2%) and end year end. Despite spending lifts by some advertisers, this category finished Q4 with a slight decline (-2%) but ended the year up 5%.

Insurance Companies

Insurance provided a bright line on Radio's balance sheet for 2014 as Spot spending grew 3% for the year. Q4 revenue was down 5% compared to heavy activity in Q4 2013 leading into implementation of the Affordable Care Act.

Category leader GEICO upped its support by 4% in 4th Quarter and was nearly flat (-2%) for the year. Second-ranked Allstate Insurance was up 36% for the quarter to end the year up 6%.

Professional Services

If you need something done, chances are you'll find who you need to do it in this eclectic category. The category was flat for Q4 and posted a 4% gain for the twelve months of 2014.

Advertisers with upticks in the quarter or by year end:

Professional Services		
2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q4 '14	FY '14
1-800-411-PAIN	-2%	+9%
Massage Envy	+20%	+23%
Sport Clips	+12%	+23%
1-800-Got-Junk	+39%	+21%
Optima Tax Relief	+95%	+202%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Online site ilawsuit.com, which matches consumers to attorneys, served up Spot Radio for the first time in the quarter.

Real Estate/Retirement Communities

Advertisers in this category continue to use Spot Radio to build sales posting a 15% increase in the Fourth Quarter.

Spot Radio newcomer Brookdale Senior Living, a provider of senior living solutions across 47 states, was the Q4 leader in spending for the category.

Rounding out the top three category spenders for the quarter were:

Real Estate 2014 vs. 2013 Spot Radio (% Change)		
Advertiser	Q4 '14	FY '14
Renters Warehouse	+ 38%	+52%
Lennar Homes	Flat	+20%

Source: Miller Kaplan Arase LLP: X-Ray Markets
(Revenue growth rates based on the 40 market X-Ray pool may not be fully indicative of the industry results as a whole.)

Also of note is the substantial boost by the National Association of Realtors – up 56% in Q4 and 62% at year end.

Restaurants

The economy and consumer concerns regarding healthy eating have affected the bottom lines of many of America's restaurant companies in recent years, and Kantar Media noted early in 2014 that indicators pointed to diminished spending following an uptick in 2013. This also represents another category where operators are experimenting with digital and social media to entice consumers through their doors – representing an opportunity for Radio to capture dollars from this channel for future growth. Spot Radio was impacted as Restaurant advertisers tightened their belts, down 8% in Q4 and down 11% for the year.

McDonald's continues to dominate Radio's airwaves against its category competition and ranks 4th this year among all Radio advertisers. Although McDonald's and #2 Dunkin Donuts were nearly consistent with 2013 full-year spending (down 3% and 1% respectively), #3 Subway sliced their 2014 Radio budget by 26%. In Q4, encouraging additions among other top-spending companies came from Wendy's (+9%), Jimmy John's (+5%), Jack in the Box (+47%), and Bonefish Grill (+281%).

Specialty Retail

A diverse list of retailers within this category helped to ring up 2% increases for both Q4 and full year 2014.

Old Navy was the leading spender for both time periods with triple digit increases of 618% and 101% for the quarter and the year respectively.

Ulta continued to use Spot Radio in Q4 and at year end versus very low activity for the same time periods prior. Similarly, shoe manufacturer Crocs decided to dip their toes into Spot Radio in Q4 2014 versus no activity the prior year.

Television/Networks/Cable Providers

The Spot Radio spending picture was fuzzy among this segment of the entertainment industry as Q4 spending was off 13%, full year down 10% versus 2013 comps.

Comcast Xfinity Cable Service remained unchallenged as top category spender with flat (-2%) Q4 coverage (-8% for the year). Top level accounts upping Radio in Q4 included CBS-TV Network (+12%), Fox TV Network (+11%), Cox Communications Cable (+33%), ESPN (+106%), and BET (+16%). DirecTV moved into 10th rank for the quarter based on a massive increase in Radio over token spending in Q4 '13.

Spot Radio Advertiser Category analysis is based on data from Miller Kaplan Arase LLP X-Ray Market Reports. X-Ray Market Reports are compiled from advertiser expenditure data direct from station billing in 40 markets. X-Ray Markets represent approximately 80% of the dollars from the total pool of over 100 markets.

The lineup of markets/stations may vary from year to year. Percent change is calculated on revenue adjusted to current year reporting.