12th Annual Benchmarking Report

Digital Sales Grow 6.8%, Bolstering Industry Growth

February 21, 2024

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RAB

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RAB MEMBERS GET $200 DISCOUN

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Miami

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Harnessing the Power

of **AI, Hyperlocal News, Digital Revenue,** and more **in Local Media** and **Advertising**

Paul Roetzer
Marketing A.I. Institute

Todd Brownrout
Deloitte Digital

Charlene Li
Author, Advisor, Coach

Scan for Agenda

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- 11,000 local online operations
- Print, broadcast, cable, & others
- U.S. and Canada
- For RAB report, specifically
  - 3,743 radio stations
  - Encompassing 849 market clusters
  - Survey of 181 radio managers

The Basis of Our Analysis

We have been collecting and analyzing digital revenue data from thousands of media companies since 2001. The benchmarks used in this analysis were taken from our 2024 RAB Report, published in February 2024. Information on how we collect the data, who participates, and how we determine market share can be found in the report.

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APPENDIX A
Obtainable Digital Revenue in 2023 for 513 U.S. Markets

2023 Obtainable Digital Adver

Digital Marketing Region	Market Rank	Obtainable Digital Re
ALASKA		
Anchorage	117	$24,535,281
Fairbanks	252	$5,953,644
Juneau	391	$3,047,662
Ketchikan Gateway	492	$878,579
ALABAMA		
Anniston	275	$6,268,353
Birmingham	57	$59,470,277
Dothan	196	$10,732,194
Florence	295	$5,378,952
Hamilton	452	$1,349,294
Huntsville	84	$34,679,492
Mobile	120	$34,062,617
Montgomery	141	$16,158,817
Monroeville	471	$1,243,847
Selma	444	$1,584,391
ARKANSAS		
Bentonville	209	$9,173,779
Bluff City	462	$1,391,698
El Dorado	413	$2,353,040
Fayetteville	214	$7,953,211
Fort Smith	226	$9,588,792
Hope	495	$1,146,727
Hot Springs	353	$4,829,579
Jonesboro	314	$5,312,778
Little Rock	50	$56,782,598
Mountain Home	442	$2,181,595
Paragould	439	$2,354,016
Pine Bluff	424	$2,893,833
Russellville	415	$3,417,243
ARIZONA		
Phoenix	11	$225,126,190
Tucson	66	$39,610,447

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2023 Obtainable Digital Advertising Estimates

Digital Marketing Region	Market Rank	Obtainable Digital Revenue
CALIFORNIA		
Bakersfield	97	$25,503,233
Chico	257	$6,996,255
Eureka	347	$3,989,380
Fresno	90	$37,706,411
Lake Tahoe	91	$32,675,312
Los Angeles	2	$762,671,804
Modesto	127	$16,724,123
Oakland	27	$104,369,802
Redding	248	$7,088,515
Riverside	22	$105,879,757
Sacramento	33	$101,917,442
Salinas	108	$26,366,662
San Diego	16	$182,101,830
San Francisco	20	$158,945,703
San Jose	34	$84,863,959
Santa Rosa	94	$30,992,530
Yuba City	310	$3,301,857
COLORADO		
Alamosa	473	$672,344
Colorado Springs	70	$44,590,374
Columbine	387	$4,477,781
Denver	12	$193,643,830
Durango	210	$9,203,791
Fort Collins	133	$17,273,079
Greeley	172	$11,195,728
Hugo	485	$973,037
Montrose	182	$14,518,623
Rio Blanco	237	$8,494,067
Vail	329	$5,667,803
CONNECTICUT		
Hartford	53	$56,877,474
New Haven	29	$123,815,867
New London	159	$20,338,549
DISTRICT OF COLUMBIA		
Washington D.C.	5	$340,941,230

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2023 Obtainable Digital Advertising Estimates

Digital Marketing Region	Market Rank	Obtainable Digital Revenu
DELAWARE		
Wilmington	54	$52,198,215
FLORIDA		
Cape Coral	47	$62,207,024
Daytona Beach	60	$45,655,627
Fort Walton Beach	161	$17,780,109
Gainesville	132	$17,130,814
Jacksonville	43	$101,402,987
Miami	6	$261,565,360
Ocala	174	$9,253,905
Orlando	15	$181,569,884
Panama City	207	$11,106,088
Pensacola	137	$16,892,765
Sarasota	78	$38,045,676
Tallahassee	122	$18,206,106
Tampa	18	$142,889,362
West Palm Beach	23	$136,886,642
GEORGIA		
Albany	291	$8,431,506
Americus	438	$2,352,579
Athens	220	$13,409,000
Atlanta	4	$405,391,092
Augusta	128	$28,505,580
Brunswick	282	$6,717,385
Columbus	188	$10,275,712
Dublin	332	$3,433,350
Hazelhurst	457	$1,922,870
LaGrange	359	$3,482,806
Macon	158	$13,158,652
Mountain City	405	$2,376,525
Opelika	276	$5,356,975
Savannah	131	$22,479,873
Sparta	386	$2,579,143
Statesboro	362	$3,279,224
Tifton	316	$3,784,351
Valdosta	289	$4,582,213
Washington	456	$1,353,900
Waycross	380	$3,971,032

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2023 Obtainable Digital Advertising Estimates

Digital Marketing Region	Market Rank	Obtainable Digital Revenue	"Obtainable" as % of All Local Digital Advertising in Market
KENTUCKY			
Bowling Green	230	$9,604,113	15.2%
Columbia	446	$1,465,516	11.8%
Danville	422	$2,765,059	17.5%
Frankfort	394	$3,659,092	18.6%
Greenville	466	$2,019,915	20.5%
Hazard	474	$1,042,560	12.1%
Hopkinsville	356	$4,791,789	18.6%
Lexington	88	$37,413,354	15.5%
Louisville	55	$55,331,714	13.4%
Monticello	398	$3,837,818	19.8%
Owensboro	340	$4,779,511	17.0%
Paducah	315	$6,624,668	19.2%
Paintsville	447	$1,765,688	14.3%
Sandy Hook	320	$5,391,468	16.2%
Williamsburg	397	$2,623,451	13.5%
LOUISIANA			
Alexandria	255	$6,478,027	12.7%
Baton Rouge	86	$41,816,917	16.2%
Houma	264	$7,643,131	15.7%
La Place	354	$2,602,109	10.1%
Lafayette	109	$33,652,980	17.1%
Lake Charles	186	$13,612,380	16.7%
Monroe	173	$11,380,742	12.1%
Natchitoches	390	$3,636,728	18.0%
New Orleans	81	$49,691,526	17.0%
Shreveport	139	$16,561,237	12.8%
St. Joseph	499	$569,442	11.4%
MASSACHUSETTS			
Boston	7	$376,697,303	17.3%
Springfield	126	$22,721,943	14.4%
Worcester	98	$29,623,476	13.6%
MARYLAND			
Baltimore	48	$66,319,440	12.9%
Hagerstown	58	$59,325,040	14.8%
Salisbury	250	$11,405,154	21.5%

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What's "Obtainable"?

Appendix A contains a list of 513 U.S. markets showing the amount of digital advertising that local businesses spent in each market with a locally based media company.

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TODAY'S AGENDA

1. **Industry Overview**
   Digital's affect on total industry revenue

2. **The Pulse of Radio Buyers**
   How their ad budgets are changing

3. **Station Managers Weigh In**
   Attitudes, observations, & recommendations

4. **Benchmarking Insights**
   Sources of revenue, share, growth

5. **Your Questions**
   Q&A opportunity

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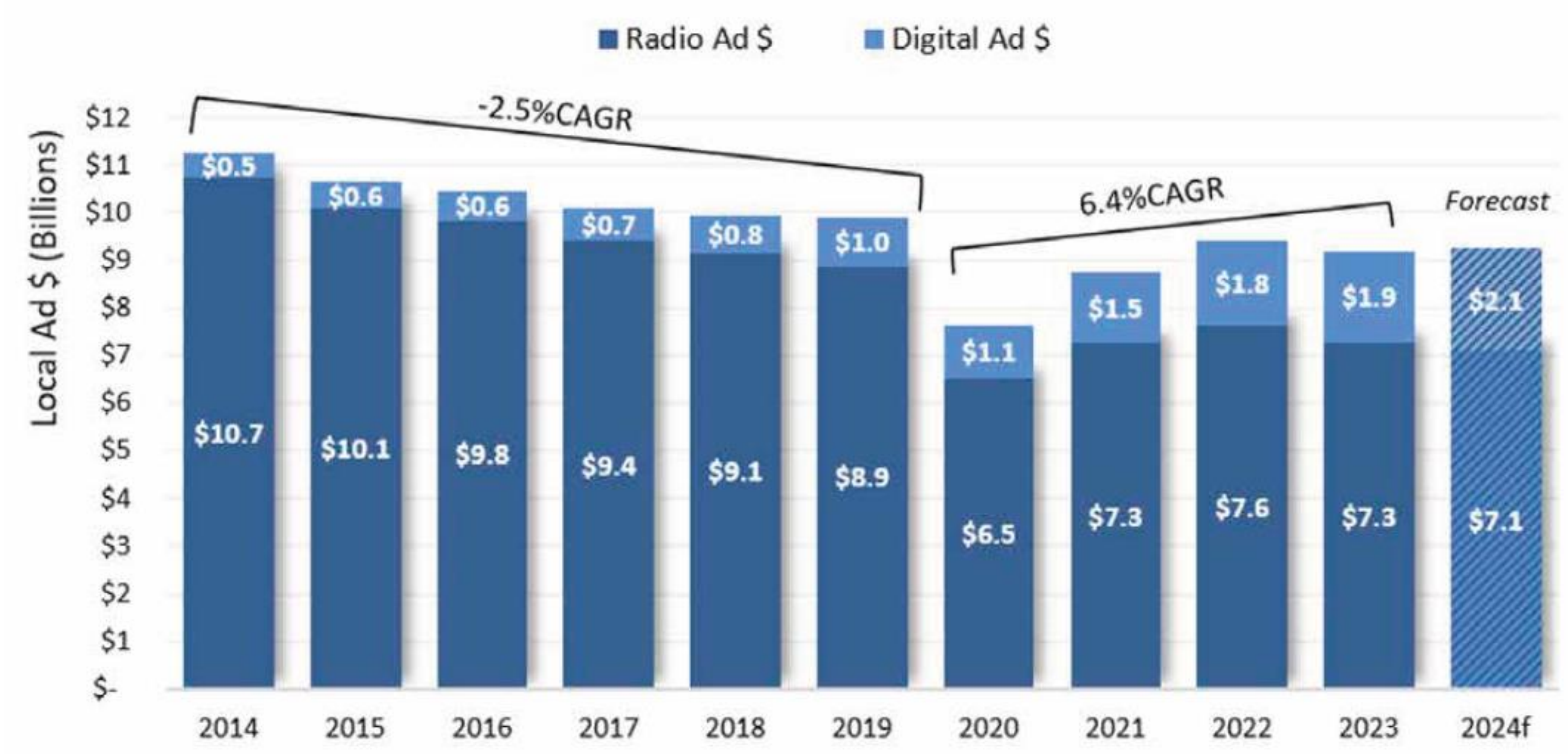
How Digital Sales Have Added to Radio's Core Local Revenue



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Core + Digital Ad Revenue

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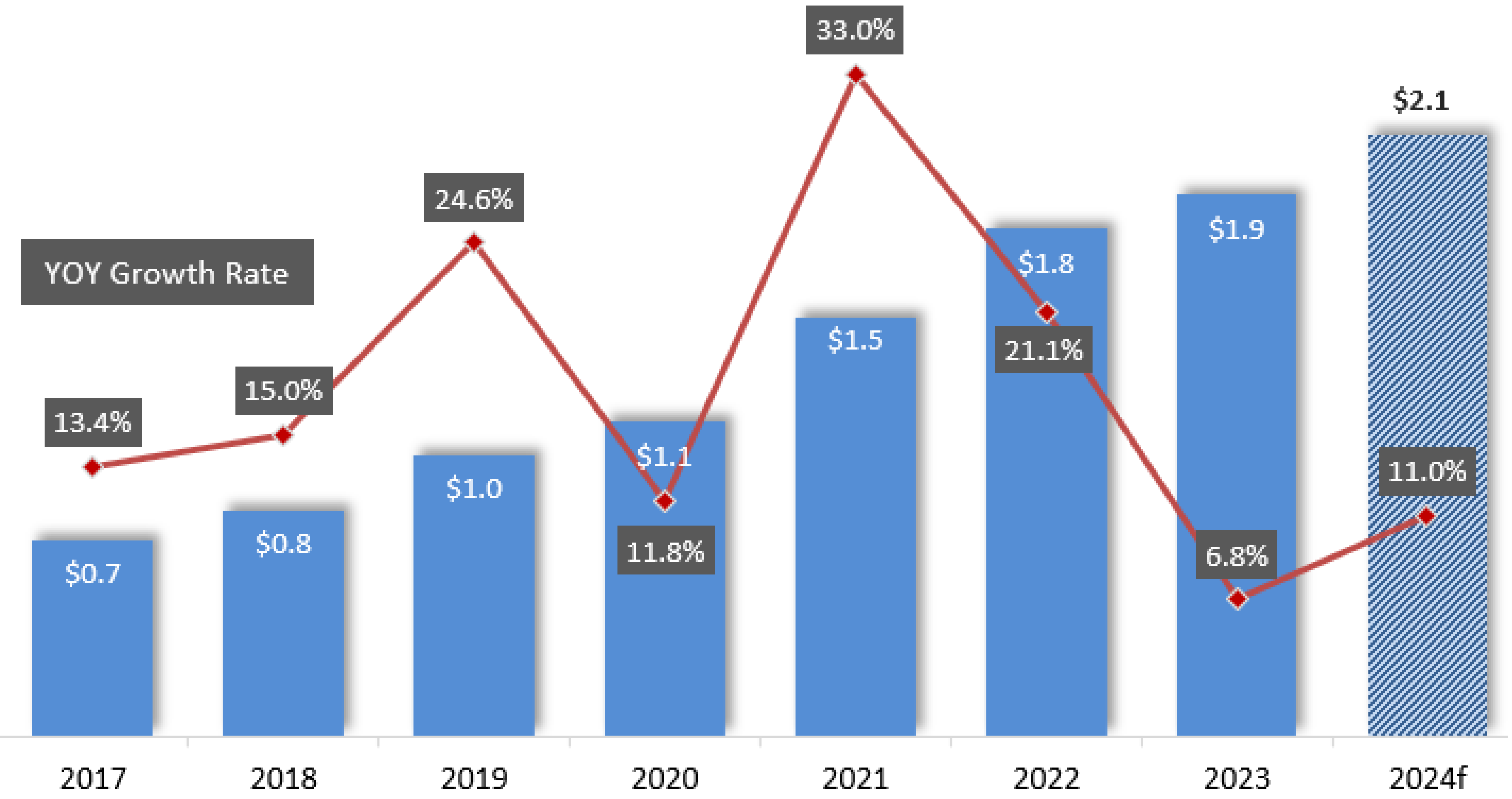
Radio's Digital Ad Revenue and YOY Growth Rate, 2017–2024

$ Billions



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Digital Ad Revenue Growth

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Share of Ad Revenue, Share of Top-Line Revenue Growth

Digital Made Strides in Growth And Share of Total Revenue in 2023 At 8 Publicly Held Radio Companies

	2023 AD REVENUE GROWTH**		SHARE OF AD REVENUE FROM DIGITAL SALES		
COMPANY	RADIO	DIGITAL	2021	2022	2023
Townsquare*	-6.5%	10.1%	35.0%	38.6%	42.5%
UrbanOne*	4.5%	1.1%	25.0%	28.5%	28.6%
iHeart*	-6.1%	4.3%	24.2%	25.8%	30.0%
Audacy	-8.6%	-0.9%	21.0%	20.8%	24.0%
Salem	-3.3%	0.1%	17.9%	15.8%	17.6%
Beasley	-4.9%	16.3%	13.1%	15.8%	18.6%
Cumulus	-15.5%	2.1%	15.1%	14.9%	19.5%
Saga	-3.8%	16.6%	6.2%	7.2%	9.3%
TOTAL/AVG	-7.3%	3.9%	13.3%	16.0%	27.2%

Source: SEC 10Q Reports, Dec. 2023
**Q1 through Q3 for each year, growth over prior nine-month period
*Townsquare: excludes revenue from SaaS subscriptions; Urban One: excludes cable/TV revenue; iHeartMedia: includes podcast business, representing 37% of digital revenue; Salem: excludes publishing revenue

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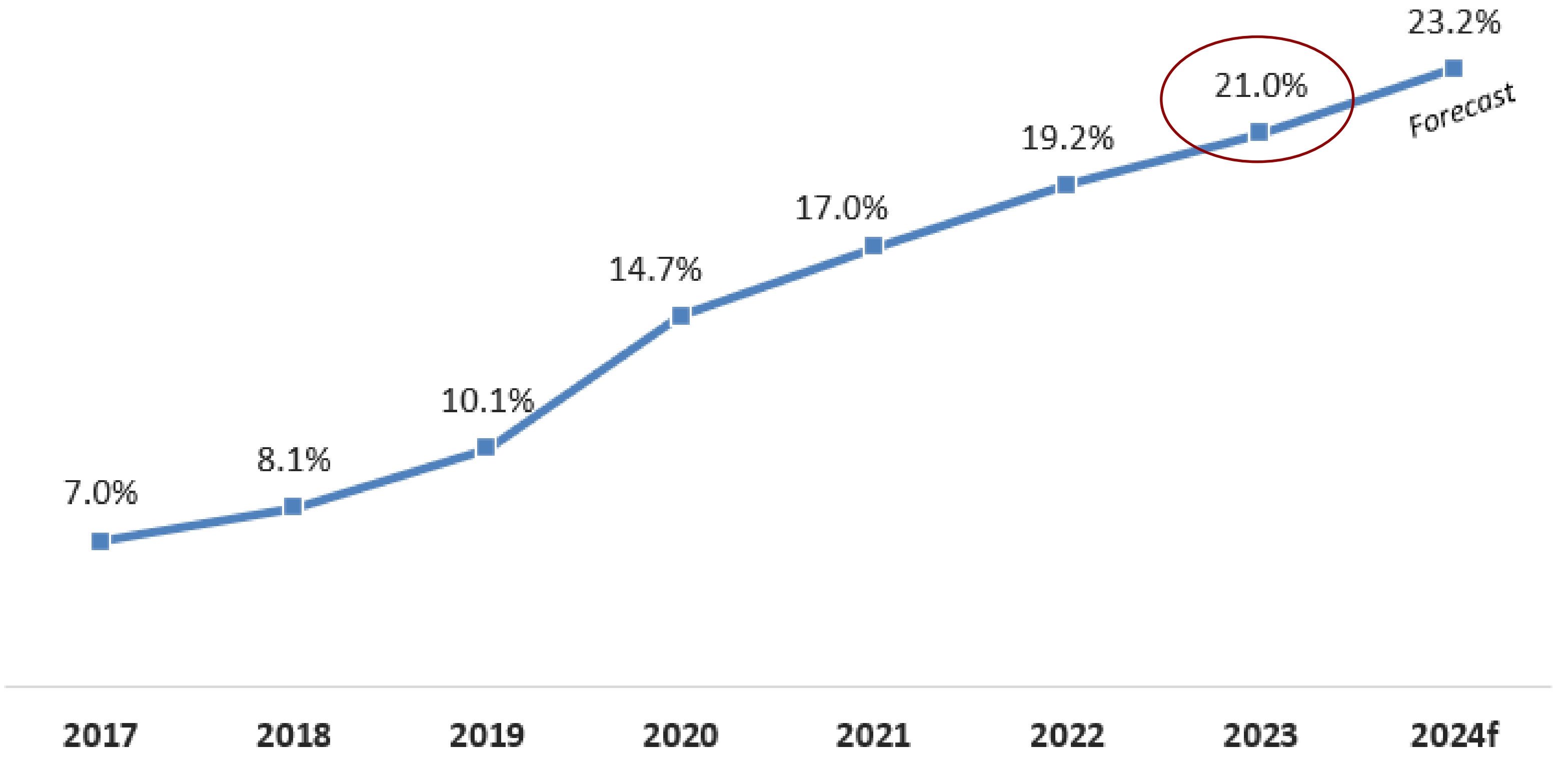
Share of Ad Revenue Attributable to Digital

Radio Industry's Share of Total Ad Revenue From Digital Sales



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The Pulse of Radio Buyers

What Radio Advertisers Bought in 2023, What They Spent, What They Plan to Buy in 2024

Media	Avg. Annual Spending on Medium in 2023	% Buying in 2023	% Planning to Buy in 2024
Radio (AM/FM)	**$ 35,407**	**100%**	**96%**
Broadcast TV	$ 98,755	38%	40%
Cable TV	$ 50,614	25%	27%
Content Marketing	$ 7,338	25%	27%
Direct Mail	$ 28,359	44%	47%
Email Sponsorships	$ 20,169	23%	25%
Events/Sponsorships	$ 41,067	72%	73%
Magazines	$ 17,350	53%	55%
Mobile In-app Ads	$ 13,860	17%	21%
Mobile SMS/Text	$ 5,910	15%	23%
Newspapers	$ 18,275	48%	47%
Online Directory Listings	$ 8,201	28%	28%
Other Print Publications	$ 13,282	38%	37%
Out-of-Home/Outdoor	$ 38,598	42%	45%
Printed Directories	$ 2,185	13%	12%
SEM	$ 56,711	57%	62%
Social Media	$ 16,643	75%	77%
Streaming Audio	$ 19,446	21%	29%
Streaming Video/OTT	$ 34,303	28%	33%
Website Ads	$ 30,695	64%	67%

There's opportunity here for radio stations that have streaming audio and OTT in their sales portfolio

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SOURCE: Borrell's Fall Survey of Local Advertisers; N=571 radio buyers

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Where Radio Buyers Are Increasing Their Spending

	Those who buy radio advertising	Those who don't buy radio advertising
Net: Planning to Add/Increase Something	**70%**	**53%**
Social Media	36%	24%
SEM	33%	20%
Website Ads	23%	17%
Events/Sponsorships	17%	16%
Direct Mail	13%	9%
Content Marketing	10%	9%
Streaming Video/OTT	18%	5%
Radio (AM/FM)	14%	6%
Out-of-Home/Outdoor	14%	5%
Mobile SMS/Text	12%	6%
Streaming Audio	13%	5%
Magazines	6%	8%
Email Sponsorships	8%	6%
Mobile In-app Ads	8%	4%
Other Printed Publications	5%	5%
Online Directory Listings	4%	5%
Broadcast TV	9%	3%
Newspapers	4%	4%
Cable TV	6%	2%
Printed Directories	1%	1%

40%-60% more likely to be increasing Social, SEM, Banners

3.5x more likely

SOURCE: Borrell's Local Advertiser Survey, Sept-Nov. 2023; n=571 radio buyers and 1,295 non-buyers of radio.

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The Pulse of Radio Buyers

Did You Get That?

*The year, **70% of radio buyers** plan to increase their ad spending or buy something new. They're up to **3½ times more likely** to be buying some of the things radio stations are selling.*

*Not only that, **14% plan to increase radio spending**, and 6% of those who <u>weren't</u> buying radio last year plan to start doing so this year.*

Image by master1305 on Freepik

What Prompts Them ***THE MOST*** to Try Something New

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The Pulse of Radio Buyers

Pick One

Targeting *that can deliver my ad to my core demo*

The sales rep *I'm dealing with*

A great deal*/discount/trial period*

Proof of delivery*/trackable campaign metrics*

Testimonials *from businesses like mine*

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The Pulse of Radio Buyers

"If you were to buy a new type of media, what would have the greatest influence on what you chose?"

	Radio Advertisers	All Other Advertisers
Proof of delivery/trackable campaign metrics	39%	30%
Targeting capabilities to reach my core demos	31%	34%
A great deal/discount/trial period	11%	12%
Testimonials/case studies of other businesses like mine	7%	10%
The reputation of the company I'd buy from	5%	8%
The individual (sales rep/marketing expert) providing the service	7%	6%

SOURCE: Borrell's Local Advertiser Survey, Sept-Nov. 2023; n=571 radio buyers and 1,295 non-buyers of radio.

Image by master1305 on Freepik

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The Pulse of Radio Buyers

On Average, What % of a Station's Radio Advertisers Buy Digital Products

77%

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The Pulse of Radio Buyers

On Average, What % of a Station's Radio Advertisers Buy <u>THE STATION'S</u> Digital Products

45%

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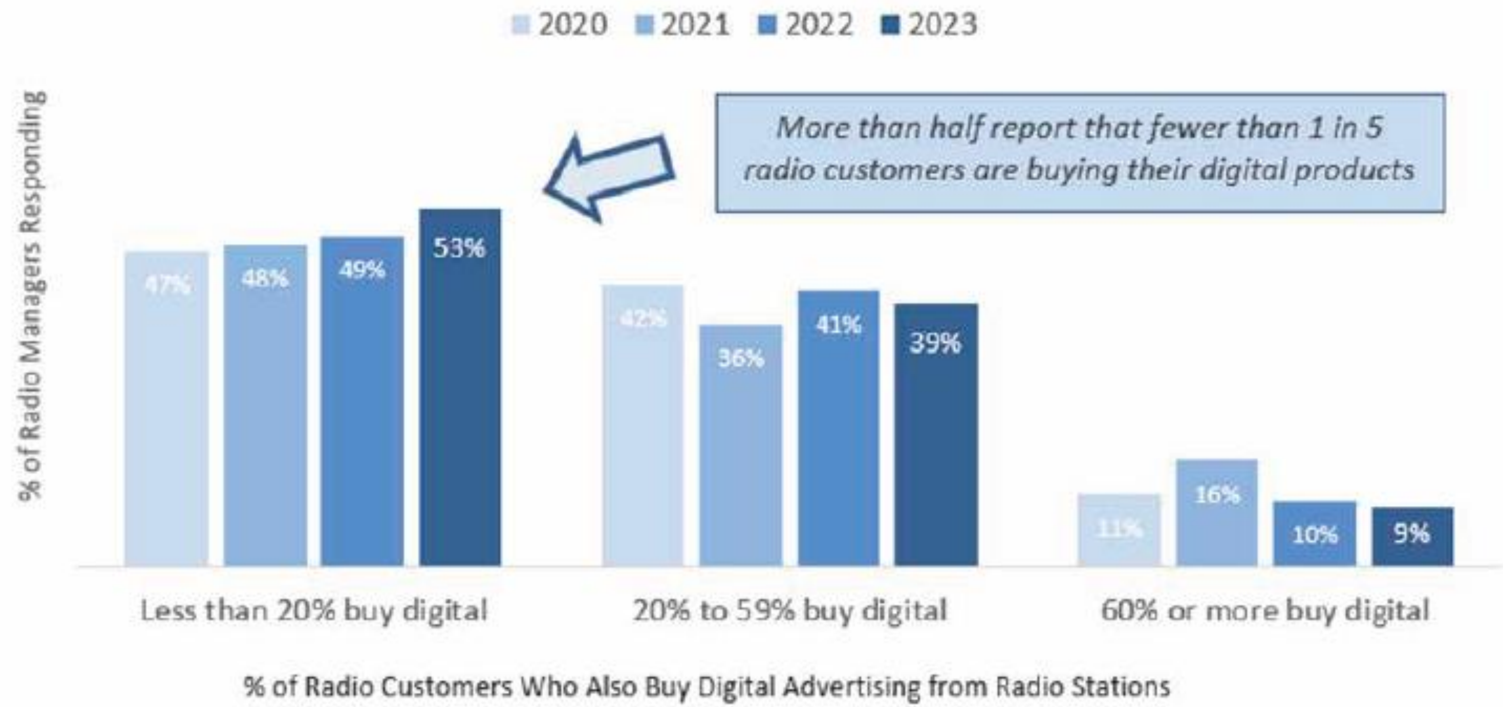
The Pulse of Radio Buyers

The % is Smaller for Most Stations

What % of your stations' radio customers also buy your digital products?



Source: Borrell/RAB radio manager surveys; n=216 responses in 2020; 221 in 2021; 169 for 2022; 181 in 2023

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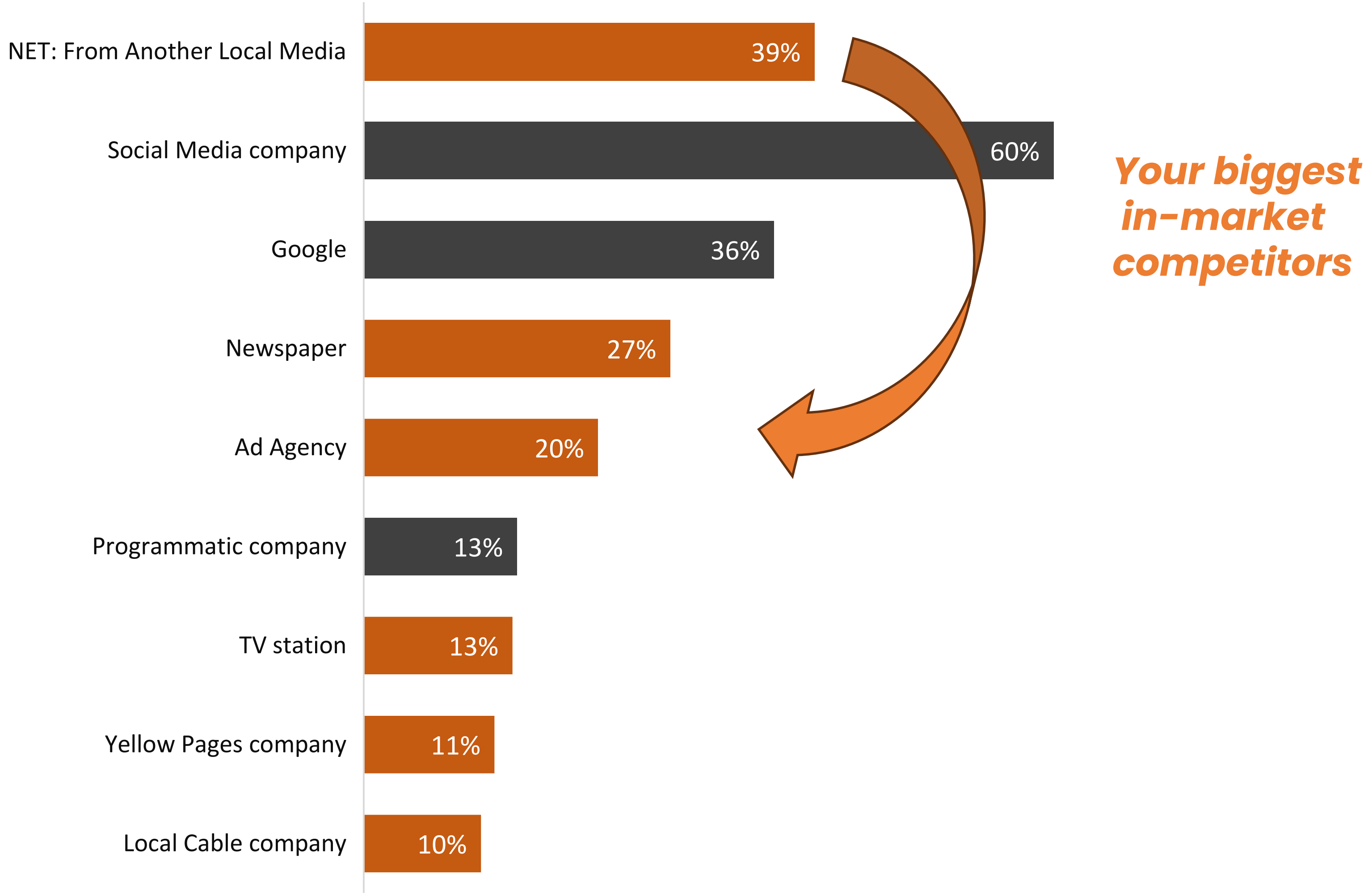
The Pulse of Radio Buyers

If Radio Customers Aren't Buying Your Digital Products, Where Are They Turning?

% of radio advertisers who buy digital from someone other than a radio station



SOURCE: Borrell's Local Advertiser Survey, Sept-Nov. 2023; n=571 radio buyers.

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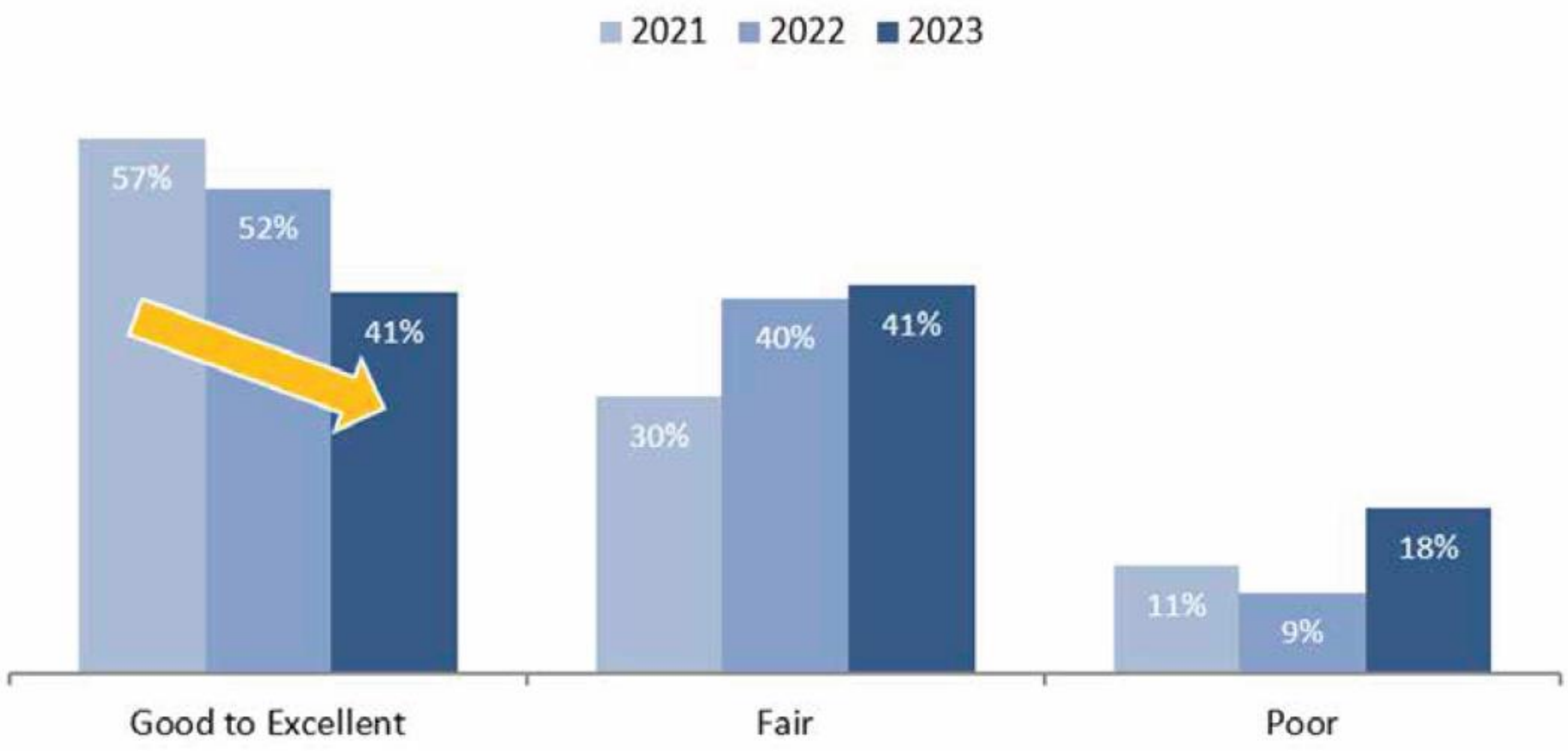
Managers Weigh In

Digital Sales Abilities May Be Slipping

How would you rate your sales team's ability to sell digital advertising?



Source: Borrell/RAB radio manager surveys: n=186 in 2019; 218 in 2020; 227 in 2021; 169 in 2022; 181 in 2023.
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Managers Weigh In

With Training 'Nailed,' Managers See Greater Need for New Blood

If you had only these four options, which one would help THE MOST in driving digital sales higher for your station(s)?

Options	2019	2020	2021	2022	2023
Training existing sales reps	48%	40%	52%	38%	33%
Adding digital-only sales reps	32%	17%	34%	45%	43%
Having more/better digital products to sell	11%	35%	6%	6%	10%
Replacing existing sales reps with better ones	9%	8%	8%	11%	14%

Source: Borrell/RAB radio manager surveys: n=186 in 2019; 218 in 2020; 227 in 2021; 169 in 2022; 181 in 2023

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NOTE: 85% of managers told us their sales teams get training at least once a month

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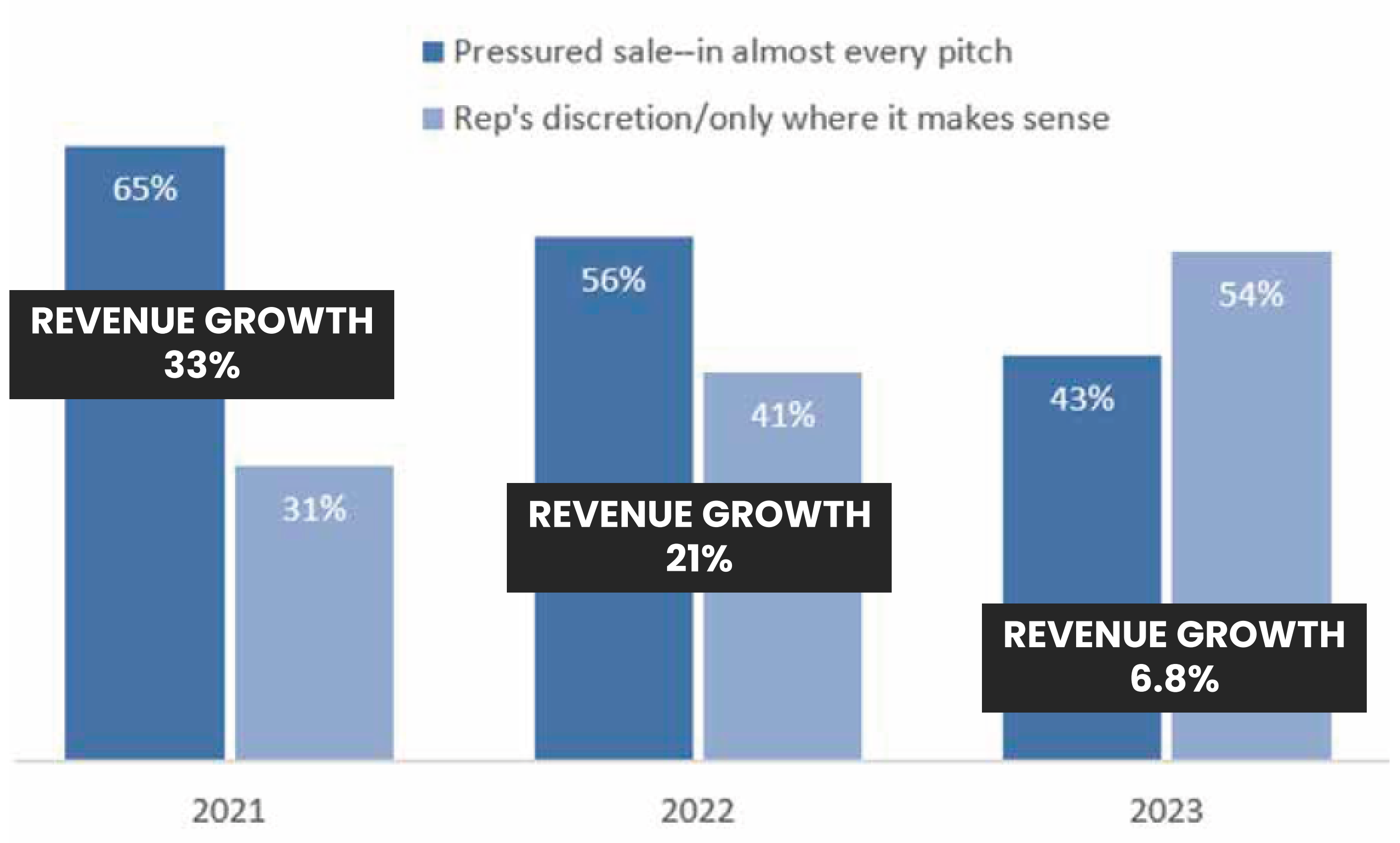
Managers Weigh In

Control Over Whether to Pitch Digital Shifts to Sales Reps



Source: Borrell/RAB radio manager surveys: n=186 in 2019; 218 in 2020; 227 in 2021; 169 in 2022; 181 in 2023

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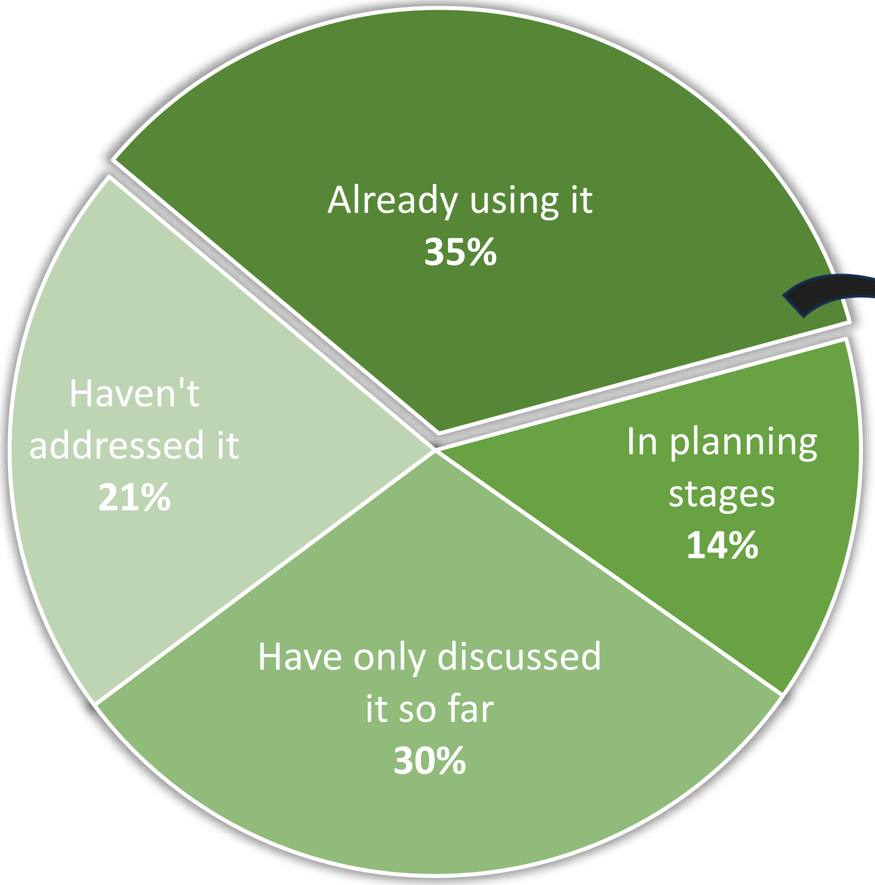
Managers Weigh In

49% Are Using or Planning To Use Generative AI



QUESTION:
What best describes your usage of generative AI in your advertising and/or programming efforts?

ARE THERE GUIDELINES?
Of those actively using AI, 63% have not established best-practice policies.

SOURCE: 2023 Borrell/RAB survey of radio managers: n=181

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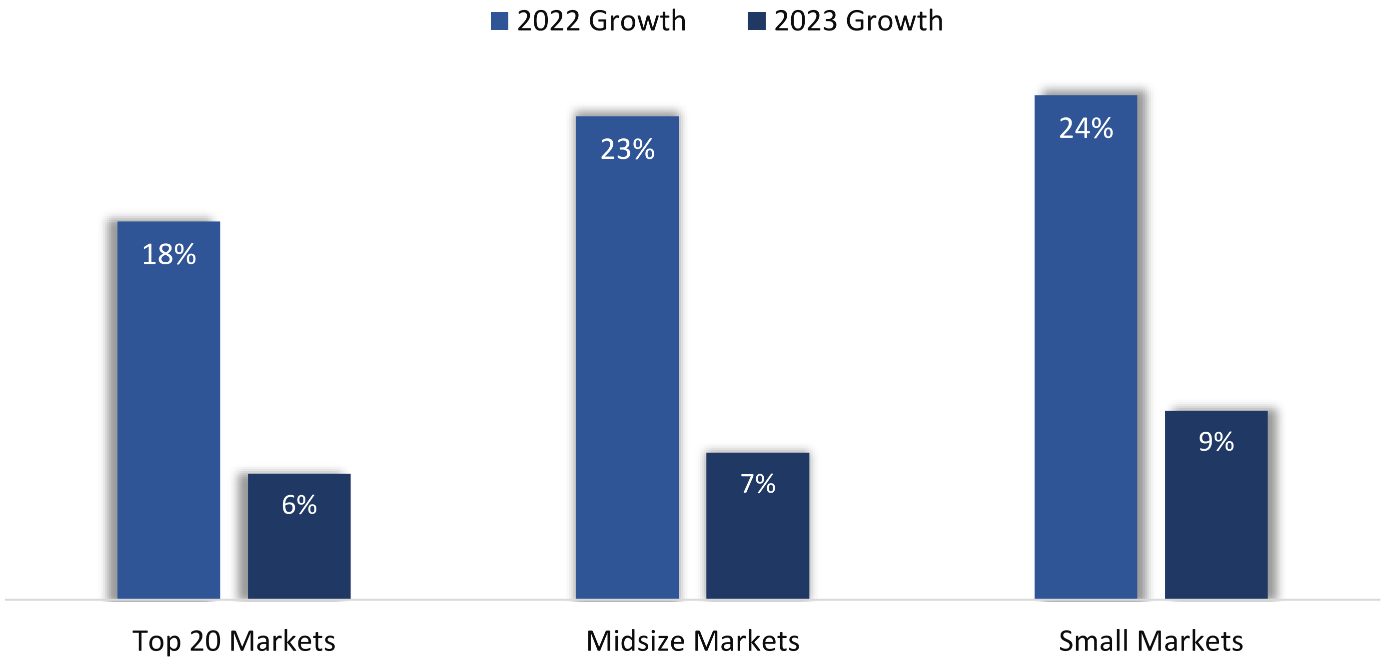
Radio's Digital Market Share

2023 Growth Rates Plummeted

Year Over Year Growth of Digital Revenue for Radio Stations



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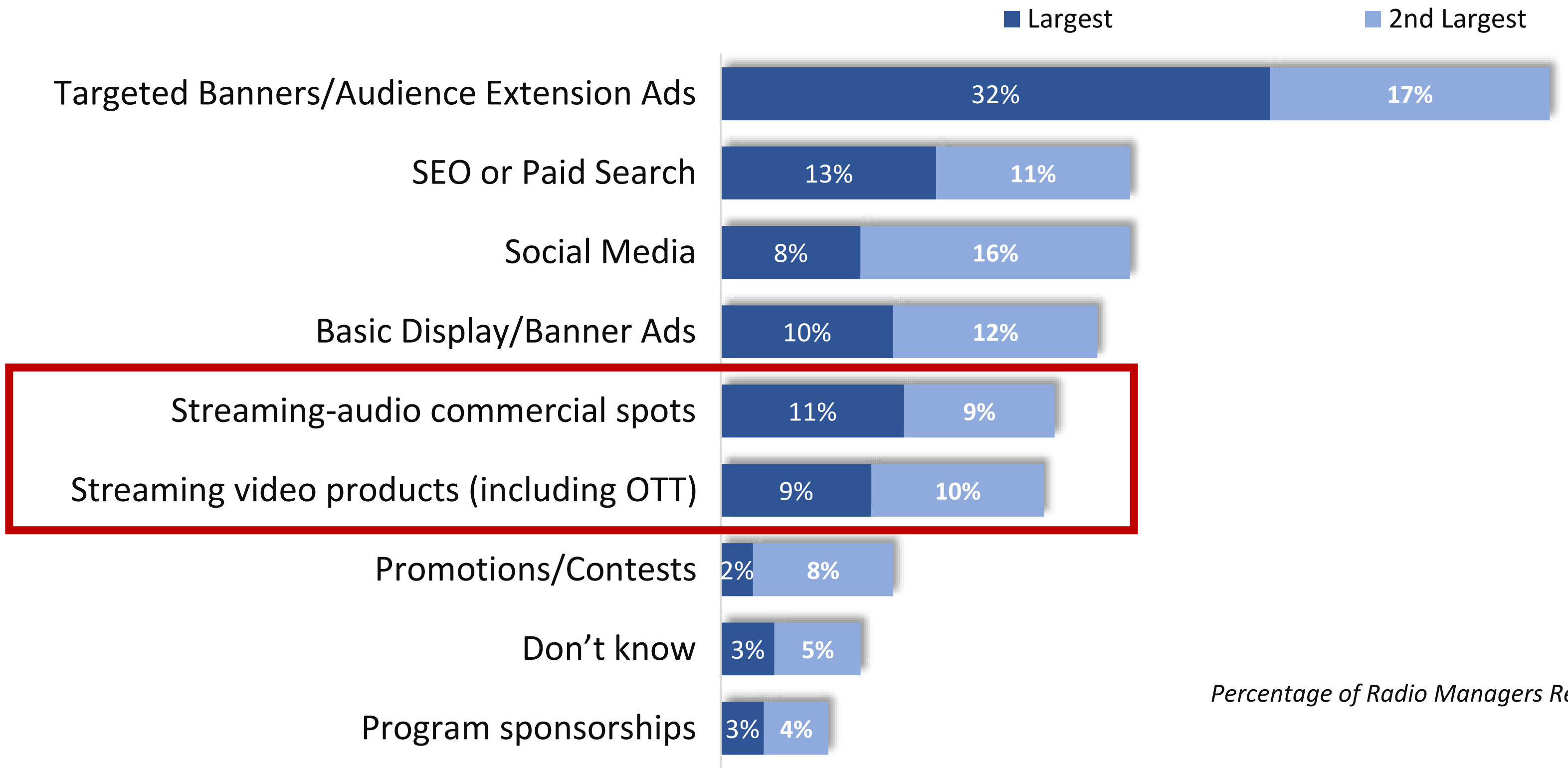
Radio's Digital Market Share

Largest Sources of Digital Revenue



Percentage of Radio Managers Responding Affirmatively

SOURCE: 2023 Borrell/RAB survey of radio managers: n=181

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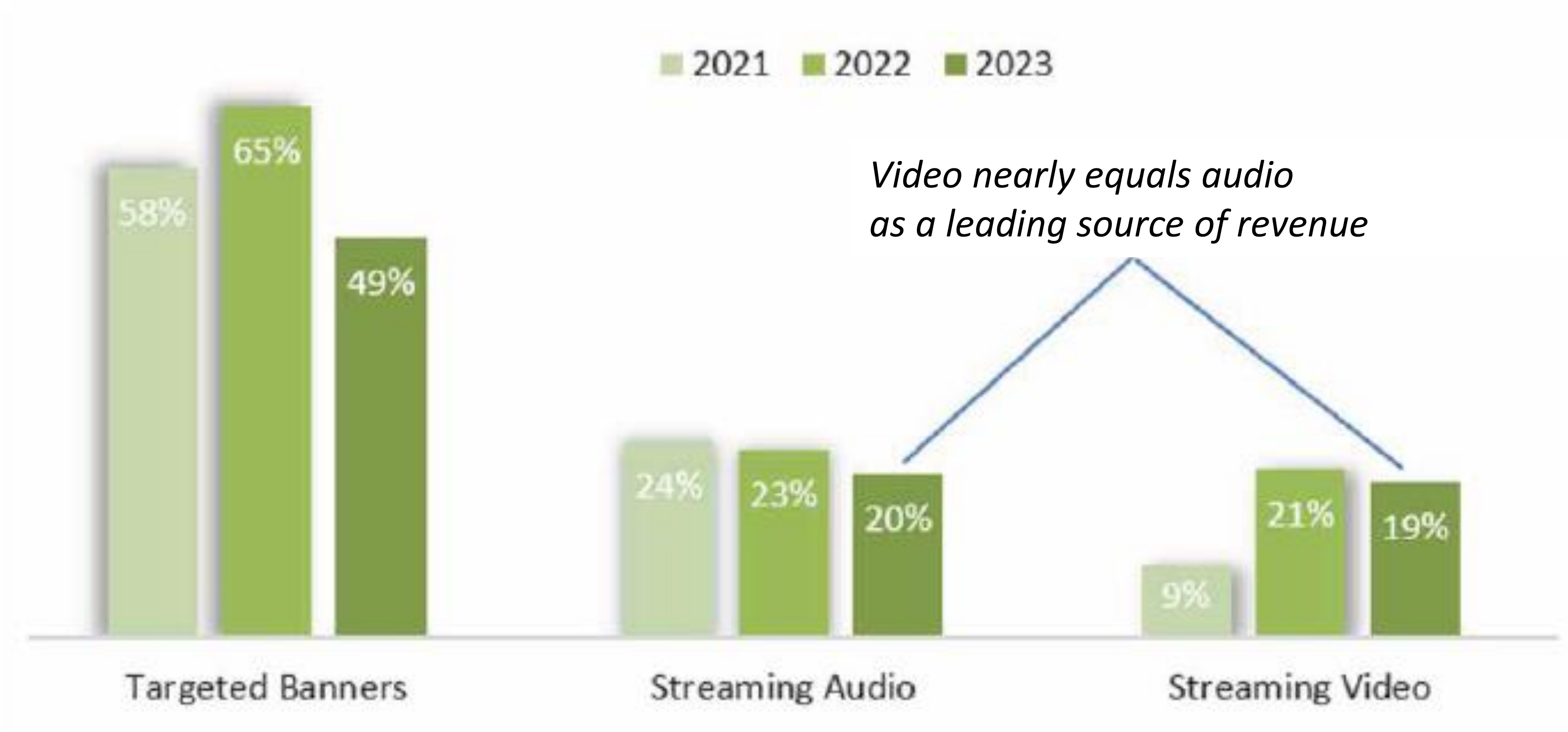
Radio's Digital Market Share

Less Dependence on Banners, More on Video



Source: 2023 Borrell/RAB survey of radio managers; n=181

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Radio's Digital Market Share

Insights on Sales of Digital Services

- % of stations selling digital services declined (77% vs. 86%)
- Growing "services" products:
  - Audio production
  - Email management
  - Listings Claiming
  - Podcast audio development
  - Mobile app development
- Declining in popularity:
  - Website design & website hosting
  - Social Media management
  - SEO

SOURCE: 2023 Borrell/RAB survey of radio managers: n=181

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Radio's Digital Market Share

Insights on Sales of Streaming Video/OTT

- Three-fourths of stations are selling video products
- 52% of stations sell OTT placement on other platforms
- 49% say most of their video sales are to radio clients
- 28% make money from producing videos for customers
- 24% don't sell video, but two-thirds of them plan to do so

SOURCE: 2023 Borrell/RAB survey of radio managers: n=181

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Radio's Digital Market Share

Insights on Annual Churn Rates

"What % of clients who were buying digital advertising from your station 12 months ago are NOT purchasing it from the station today?

- For two-thirds of stations, churn rates are **under 20%**
- **7% say more than half** their digital customers don't renew
- 36% of stations **don't know** what their churn rate is

SOURCE: 2023 Borrell/RAB survey of radio managers: n=181

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Radio's Digital Market Share

Insights on Profitability

Findings from CFO Survey

- 71% monitor P&L for digital products
- Avg. EBITDA of digital products was 32.8%
- Highest margins reported for
  - *Email newsletters*
  - *Mobile advertising*
  - *Banners*
  - *Geofenced advertising*
- Doesn't account for expenses for shared resources

HOW PROFITABLE IS YOUR DIGITAL REVENUE?	
Less profitable than radio	67%
More profitable than radio	11%
Roughly same margin as radio	12%
Don't know	11%
ON WHAT DO YOU BASE THAT ANSWER?	
Financial analysis/facts	51%
Informed opinion or gut	8%
Reliable sources	12%
I've done my own calculations	18%
Don't know	11%
HOW DOES DIGITAL PROFITABILITY AFFECT SALES?	
Negative effect on digital sales	13%
Positive effect on digital sales	21%
Neither a positive nor negative effect	54%
Don't know	12%

SOURCE: 2023 Borrell/RAB survey of radio managers: n=181

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Share of Obtainable Digital Revenue

Per-Cluster Share of Obtainable Digital Revenue by Market Size, 2023

	Sample Size		Share of In-Market Obtainable Digital Revenue		
DMR Size	Stations	Clusters	Avg.	Median	Best Practice*
1 to 10	360	89	1.1%	0.7%	5.0%
11 to 20	286	66	2.1%	1.2%	9.4%
21 to 50	519	120	2.2%	1.2%	9.4%
51 to 100	733	166	3.5%	1.8%	14.5%
101 to 150	560	119	4.9%	2.7%	23.2%
151 too 200	426	85	7.1%	4.1%	30.4%
201 to 300	472	96	7.5%	3.8%	31.0%
301 to 513	321	73	8.7%	5.9%	31.5%

*Average market share for the five top-performing clusters in each listed peer group
Source: Borrell's Digital Revenue Database

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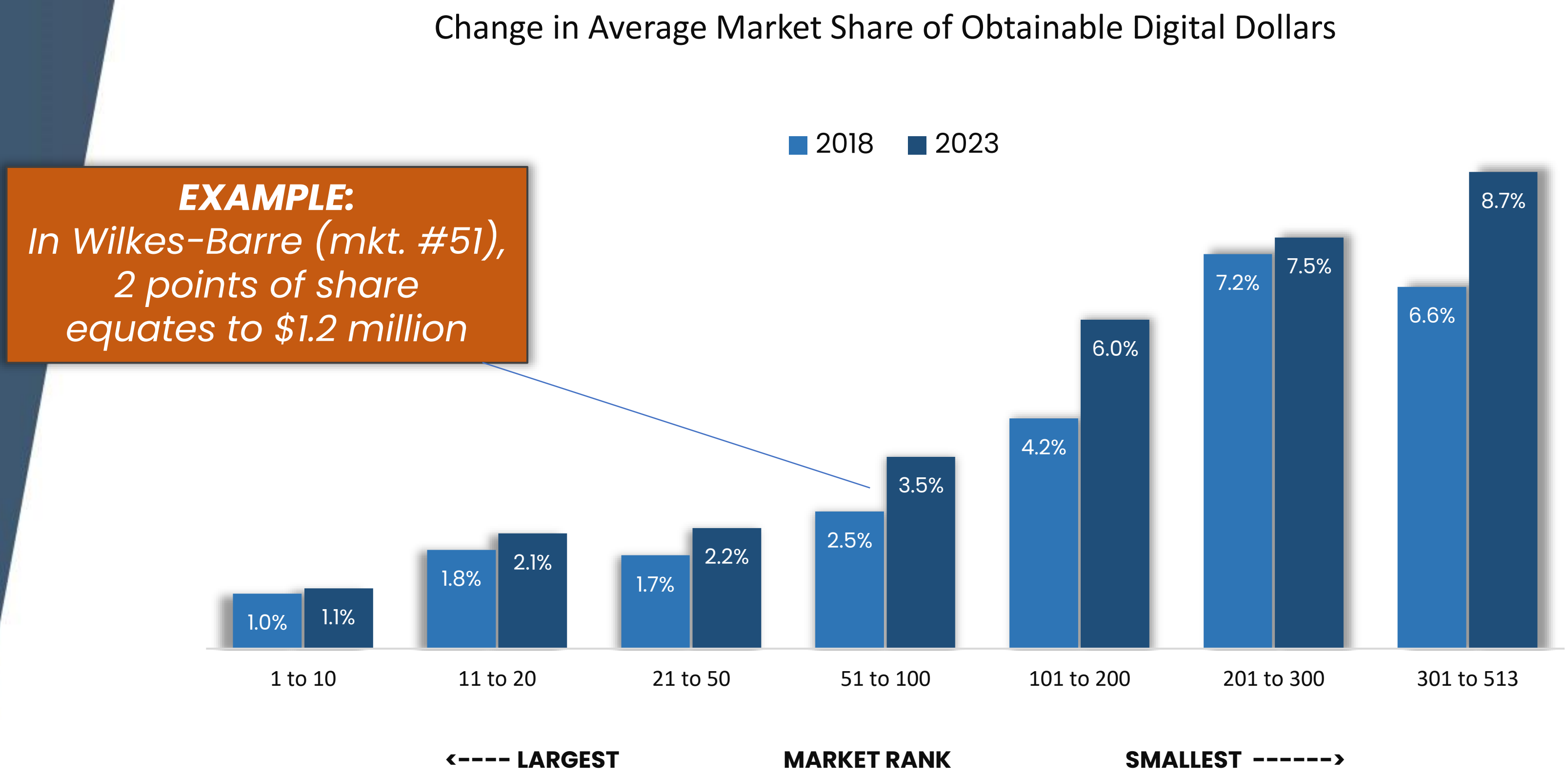
Share of Obtainable Digital Revenue

Radio Is Gaining Digital Market Share



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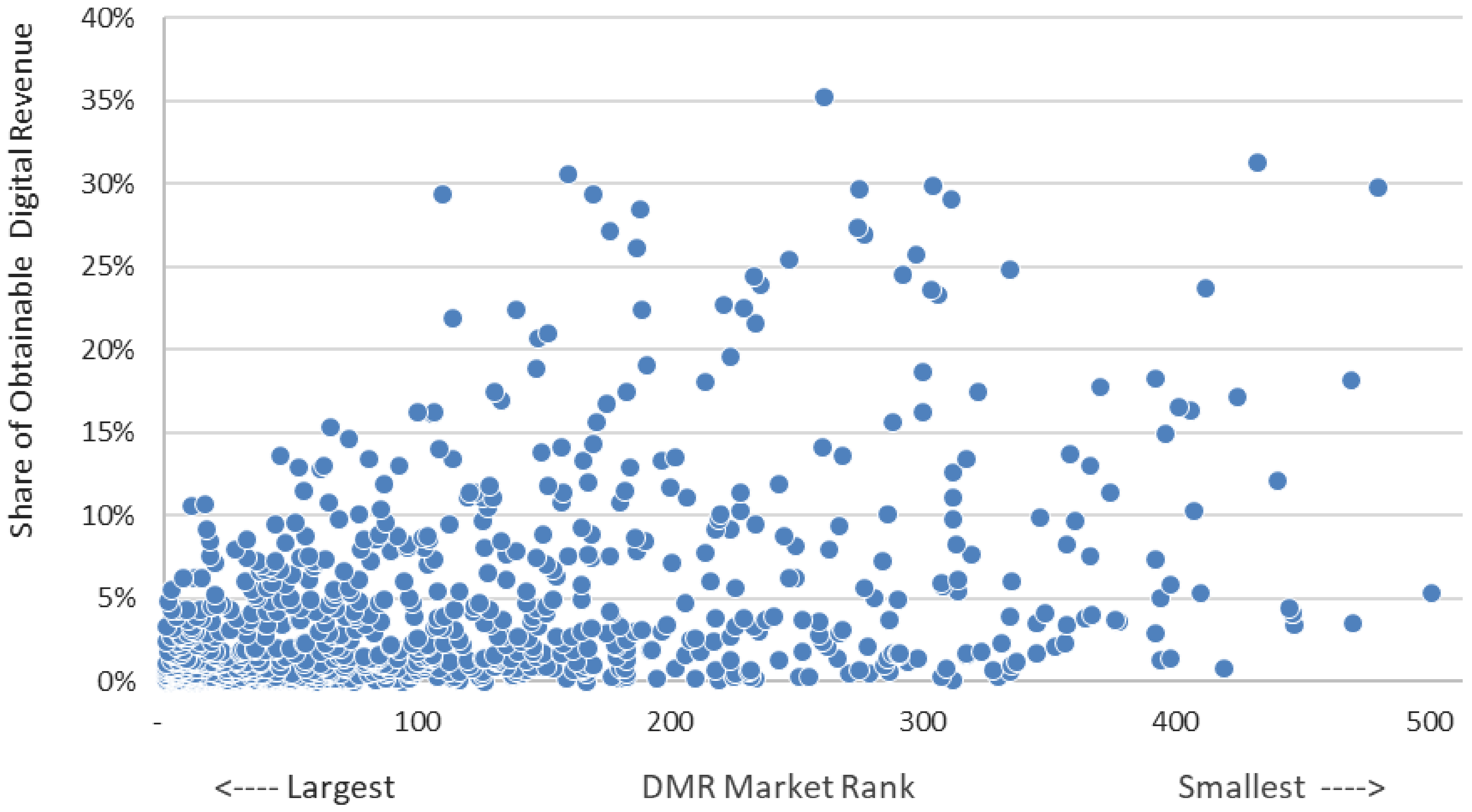
Radio's Digital Market Share

Share of 2023 In-Market Obtainable Digital Revenue for 819 Radio Market Clusters



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Conclusions & Observations

Very Positive Signs

- Shaping up to be a very positive year for advertising
- Buyers are buying what radio is selling
- Radio is stealing digital market share from competitors
- Fastest-growing opportunity (OTT) is squarely in radio's sights
- Radio is filling news & gaps left by newspapers

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Conclusions & Observations

Time to Fill a Few Gaps

- **GAP #1:** At least ½ of a station's radio customers don't buy

  Calculate your %; task sales reps with find out why they aren't buying

- **GAP #2:** Sales by existing staff may be at a saturation point

  Hire more salespeople; consider digital-only reps

- **GAP #3:** Ad buyers want new stuff; industry doesn't have it

  Offer Generative AI services, 1st party data, other innovative products

- **GAP #4:** Digital strategies need revisiting

  Revisit the plan, establish (lofty) goals, communicate to staff

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Questions?

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