11th Annual Benchmarking Report

# Digital Sales Approach $2 Billion

February 22, 2023

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RAB RADIO ADVERTISING BUREAU


- 11,000 local online operations
- Print, broadcast, cable, & others
- U.S. and Canada
- For RAB report, specifically
  - 3,753 radio stations
  - Encompassing 847 market clusters
  - Survey of 169 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 2023 RAB Report, to be published in February. 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 B

2022 Obtainable Digital Revenue Estimates Digital for 513 Markets

## 2022 Obtainable Digital Advertising Estimates

| Digital Marketing Region | Market Rank | Obtainable Digital Revenue | "Obtainable" as % of All Local Digital Advertising in Market |
|---|---|---|---|
| **ALASKA** | | | |
| Anchorage | 119 | $21,212,735 | 13.3% |
| Fairbanks | 252 | $5,181,357 | 10.5% |
| Juneau | 383 | $2,747,370 | 13.6% |
| Ketchikan Gateway | 493 | $724,960 | 12.6% |
| **ALABAMA** | | | |
| Anniston | 276 | $4,771,311 | 11.4% |
| Birmingham | 59 | $53,006,271 | 14.0% |
| Dothan | 204 | $8,482,184 | 12.4% |
| Florence | 304 | $3,980,292 | 11.3% |
| Hamilton | 451 | $1,079,180 | 10.0% |
| Huntsville | 82 | $28,724,553 | 11.7% |
| Mobile | 126 | $27,808,406 | 19.0% |
| Montgomery | 142 | $14,369,504 | 12.3% |
| Monroeville | 470 | $1,152,316 | 13.5% |
| Selma | 442 | $1,373,513 | 11.9% |
| **ARKANSAS** | | | |
| Bentonville | 234 | $7,126,140 | 12.2% |
| Bluff City | 464 | $1,454,089 | 16.0% |
| El Dorado | 415 | $1,966,661 | 12.9% |
| Fayetteville | 237 | $5,973,413 | 10.9% |
| Fort Smith | 231 | $7,348,829 | 12.4% |
| Hope | 496 | $899,455 | 16.8% |
| Hot Springs | 381 | $2,829,390 | 13.7% |
| Jonesboro | 323 | $4,582,771 | 15.3% |
| Little Rock | 97 | $24,408,975 | 11.5% |
| Mountain Home | 452 | $1,509,504 | 14.3% |
| Paragould | 446 | $1,716,812 | 15.2% |
| Pine Bluff | 430 | $2,356,779 | 17.7% |
| Russellville | 418 | $2,820,251 | 19.0% |
| **ARIZONA** | | | |
| Phoenix | 11 | $191,975,423 | 12.6% |
| Tucson | 71 | $34,717,314 | 11.4% |
| **CALIFORNIA** | | | |
| Bakersfield | 95 | $25,708,800 | 11.8% |
| Chico | 248 | $6,925,520 | 13.6% |
| Eureka | 348 | $3,688,176 | 14.6% |
| Fresno | 87 | $38,623,557 | 16.5% |
| Lake Tahoe | 88 | $29,031,270 | 12.6% |





## Digital Advertising Estimates

| Obtainable Digital Revenue | "Obtainable" as % of All Local Digital Advertising in Market |
|---|---|
| $42,851,400 | 10.8% |
| $2,072,893 | 11.9% |
| $9,467,079 | 15.6% |
| $6,117,429 | 19.0% |
| $1,704,817 | 18.5% |
| $3,152,736 | 10.7% |
| $3,307,468 | 13.6% |
| $3,802,818 | 14.0% |
| $2,968,516 | 16.2% |
| $7,940,089 | 12.4% |
| **IDAHO** | |
| $24,481,452 | 12.4% |
| $7,933,518 | 12.5% |
| $8,924,323 | 11.8% |
| $2,820,720 | 10.3% |
| $5,686,838 | 10.0% |
| $2,469,762 | 9.8% |
| $5,423,464 | 15.4% |
| **ILLINOIS** | |
| $10,151,693 | 16.1% |
| $3,514,063 | 13.8% |
| $10,554,769 | 13.0% |
| $2,540,931 | 16.2% |
| $348,643,478 | 13.0% |
| $3,348,723 | 10.2% |
| $10,193,710 | 15.7% |
| $1,769,580 | 12.8% |
| $830,790 | 16.4% |
| $15,794,835 | 15.8% |
| $3,331,732 | 14.2% |
| $48,310,830 | 15.0% |
| $20,600,075 | 17.4% |
| $3,982,496 | 17.4% |
| $852,345 | 20.0% |
| **INDIANA** | |
| $8,617,312 | 13.9% |
| $6,301,482 | 9.5% |
| $27,607,011 | 13.7% |
| $20,525,140 | 12.3% |
| $75,520,034 | 11.8% |





## Digital Advertising Estimates

| Obtainable Digital Revenue | "Obtainable" as % of All Local Digital Advertising in Market |
|---|---|
| $1,615,319 | 12.2% |
| $9,263,262 | 20.4% |
| $4,935,496 | 19.5% |
| $9,547,252 | 13.3% |
| **MINNESOTA** | |
| $6,166,958 | 21.1% |
| $3,337,320 | 12.5% |
| $18,123,354 | 18.5% |
| $1,076,582 | 18.5% |
| $5,974,578 | 18.3% |
| $5,827,515 | 13.9% |
| $3,206,358 | 13.7% |
| $182,084,132 | 14.8% |
| $4,158,468 | 13.9% |
| $2,965,759 | 13.7% |
| $3,658,679 | 20.1% |
| $16,692,203 | 18.6% |
| $8,775,123 | 10.3% |
| $8,816,659 | 16.9% |
| $4,574,426 | 12.6% |
| **MISSOURI** | |
| $989,584 | 15.0% |
| $10,005,948 | 19.5% |
| $10,185,543 | 14.1% |
| $3,337,493 | 10.4% |
| $7,583,535 | 15.3% |
| $4,523,261 | 12.1% |
| $131,135,289 | 16.4% |
| $950,646 | 15.1% |
| $1,421,845 | 15.3% |
| $2,992,516 | 19.2% |
| $2,472,758 | 16.1% |
| $7,051,862 | 19.7% |
| $1,703,227 | 12.0% |
| $20,164,458 | 16.0% |
| $149,741,642 | 15.0% |
| $861,080 | 13.8% |
| $4,086,569 | 17.3% |





## igital Advertising Estimates

| Obtainable Digital Revenue | "Obtainable" as % of All Local Digital Advertising in Market |
|---|---|
| $242,891,732 | 11.0% |
| $7,933,596 | 9.0% |
| $180,046,323 | 13.7% |
| $9,965,632 | 14.6% |
| $13,816,464 | 11.5% |
| $35,264,361 | 12.0% |
| $17,698,736 | 10.9% |
| $133,798,217 | 11.3% |
| $128,551,520 | 14.4% |
| **GEORGIA** | |
| $7,392,328 | 19.9% |
| $2,013,730 | 17.1% |
| $11,563,756 | 18.1% |
| $367,123,892 | 15.5% |
| $24,485,725 | 17.8% |
| $5,056,644 | 13.1% |
| $9,460,266 | 12.6% |
| $2,925,670 | 11.3% |
| $1,395,215 | 15.2% |
| $6,063,428 | 9.5% |
| $2,930,641 | 13.2% |
| $11,223,138 | 11.7% |
| $1,774,070 | 10.9% |
| $4,824,031 | 11.4% |
| $19,632,695 | 15.2% |
| $2,224,303 | 11.6% |
| $2,749,592 | 12.6% |
| $3,139,797 | 10.3% |
| $4,418,386 | 11.2% |
| $1,166,225 | 12.2% |
| $3,989,987 | 17.6% |
| **HAWAII** | |
| $43,110,261 | 11.4% |
| **IOWA** | |
| $1,203,805 | 11.5% |
| $1,978,742 | 7.3% |
| $36,066,037 | 17.4% |
| $2,783,710 | 14.1% |
| $15,485,646 | 16.0% |





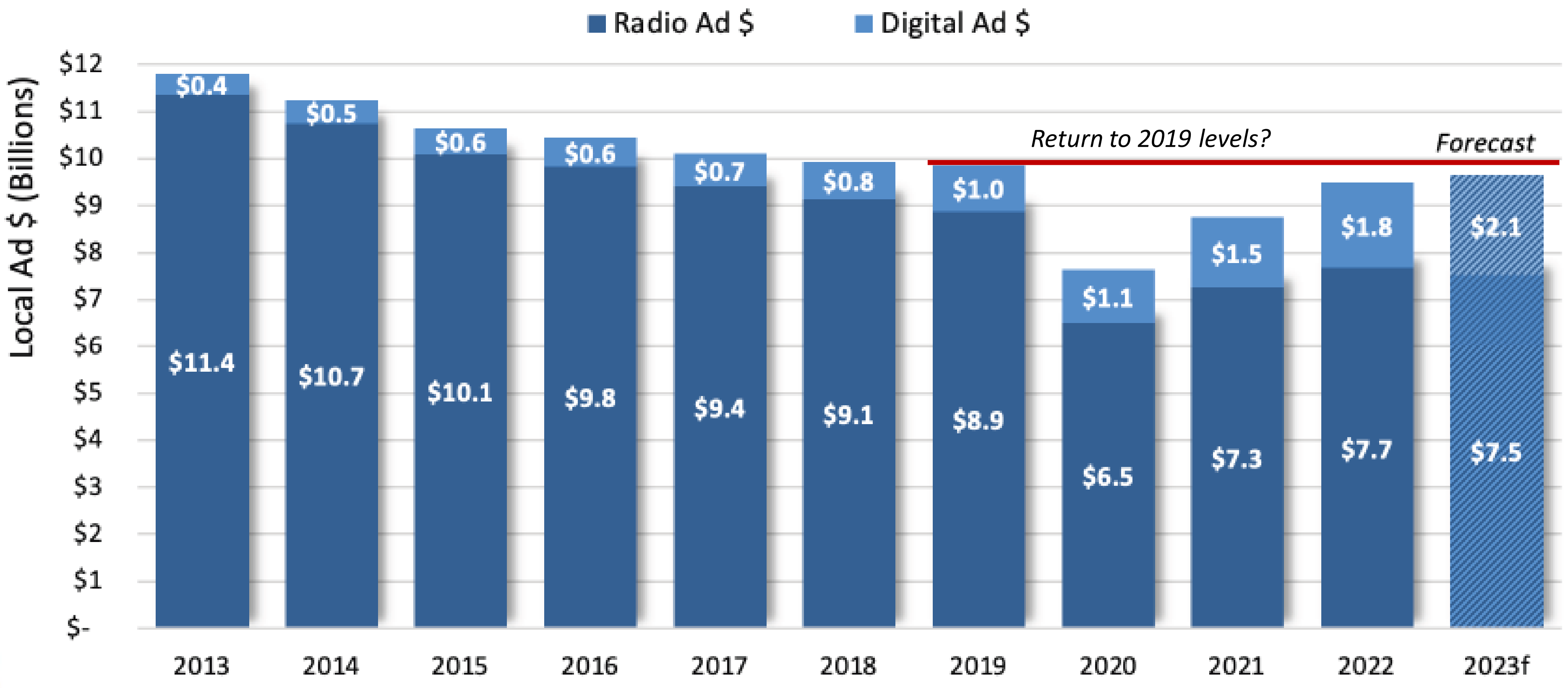
# What's "Obtainable"?

Appendix B 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.

# 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. **What *Could* You Make?**
   *Share of in-market obtainable revenue*
5. **Your Questions**
   *Q&A opportunity*

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

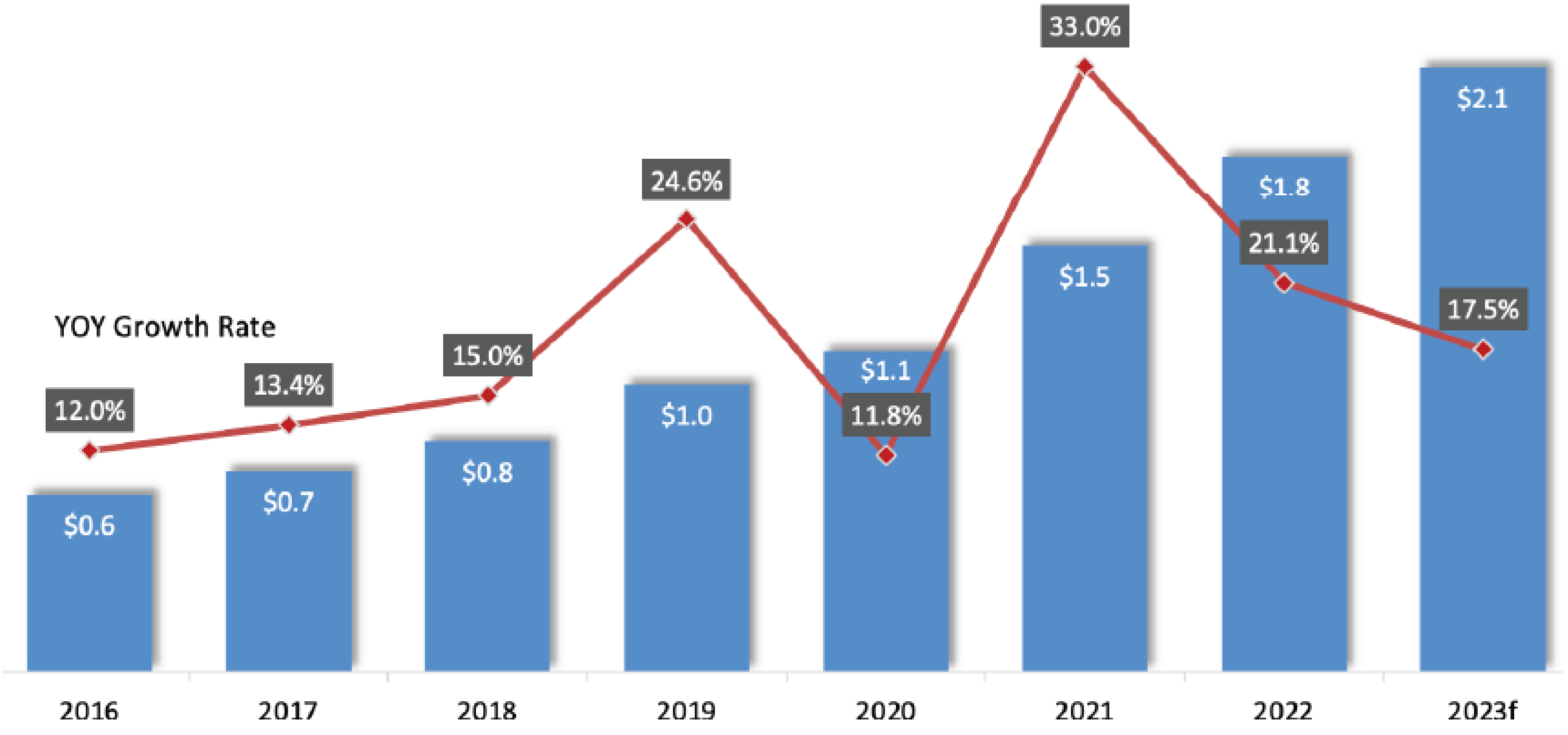



BENCHMARK:

**Core + Digital Ad Revenue**

# Radio's Digital Ad Revenue and YOY Growth Rate, 2016-2023

*$ Billions*




BENCHMARK:

**Digital Ad Revenue Growth**

BENCHMARK:

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

## Digital Accounted for 16% of Ad Revenue But 48% of Growth for 8 Publicly Held Cos.

| | Adv $ Growth, 2022 vs. 2021* | | Digital's Share | Share of Adv $ from Digital Sales | |
|---|---|---|---|---|---|
| COMPANY | RADIO | DIGITAL | of Growth | 2021 | 2022 |
| Townsquare** | 3.8% | 21.3% | 75.1% | 35.0% | 38.6% |
| UrbanOne** | 10.6% | 32.4% | 50.5% | 25.0% | 28.5% |
| iHeart** | 5.8% | 28.4% | 33.9% | 24.2% | 25.8% |
| Audacy | 1.8% | 11.9% | 19.7% | 21.0% | 20.8% |
| Salem** | 8.3% | 2.3% | 2.5% | 17.9% | 15.8% |
| Beasley | 4.6% | 30.4% | 49.7% | 13.1% | 15.8% |
| Cumulus | 0.9% | 13.9% | 13.7% | 15.1% | 14.9% |
| Saga | 3.7% | 32.6% | 14.7% | 6.2% | 7.2% |
| **TOTAL/AVG** | **4.6%** | **30.1%** | **48.6%** | **13.3%** | **16.0%** |

Source: SEC 10Q Reports, Dec. 2022
*Q1 through Q3 for each year
**Townsquare: excludes revenue from SAAS subscriptions
**UrbanOne: excludes revenue from cable/TV ops
**iHeart: about 1/3 of digital revenue is from podcast business
**Salem: excludes revenue from publishing ops

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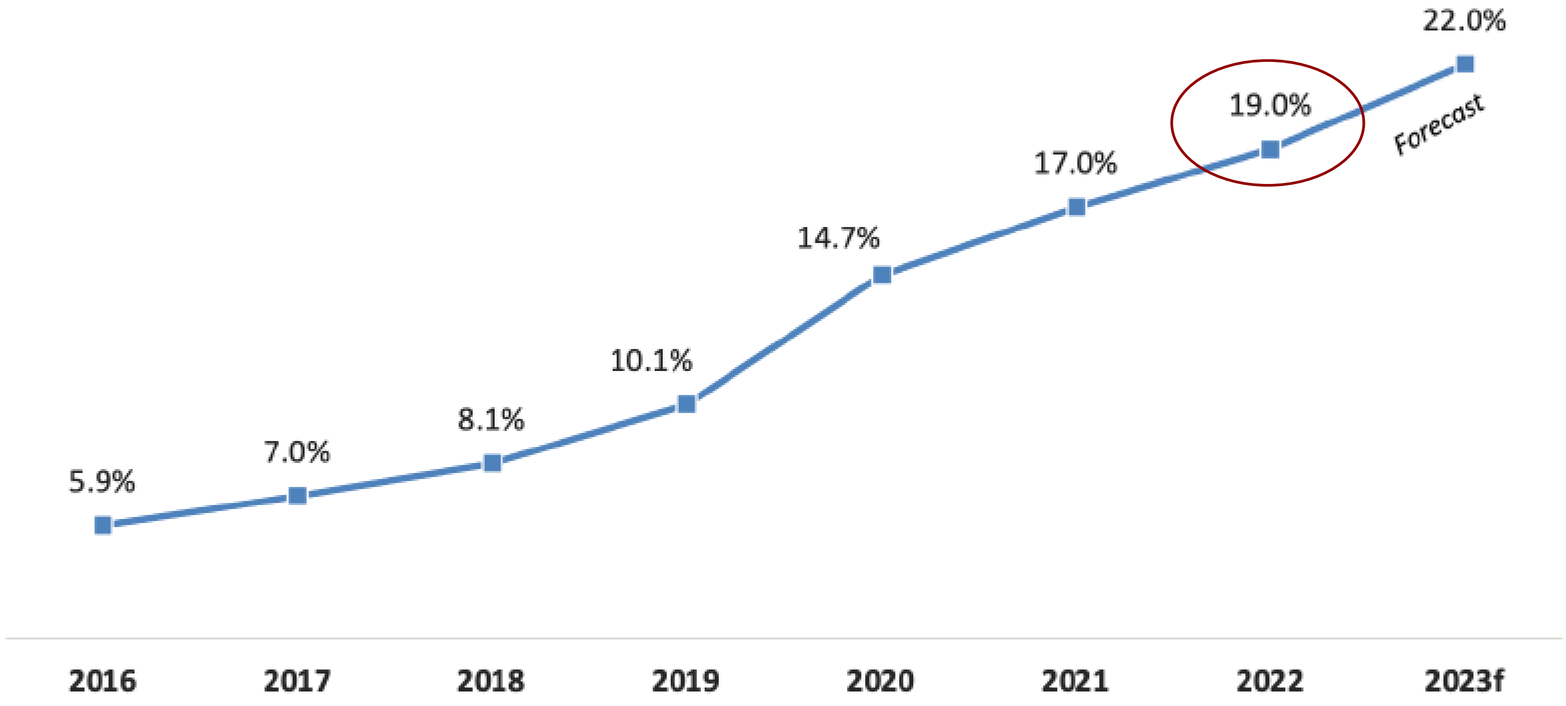
# Share of Ad Revenue Attributable to Digital

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

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   *How their ad budgets are changing*

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   *Share of in-market obtainable revenue*

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

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# The Pulse of Radio Buyers

*The largest budget item is paid search – nearly 3x larger than the average expenditure on radio.*

*For the first time in 13 years of surveying, broadcast TV didn't occupy the top spending spot, falling to roughly half of what it was in prior surveys.*

## What Radio Advertisers Bought in 2022, & What They Spent On It

| Media | % Buying | Avg. Annual Spending |
|---|---|---|
| **Radio** | **100%** | **$ 24,173** |
| Any/All Types of Digital Media | 88% | $ 61,070 |
| Social Media | 69% | $ 16,340 |
| Events/Sponsorships | 63% | $ 23,725 |
| Paid Search | 48% | $ 65,407 |
| Online Banner/Display Ads | 59% | $ 21,552 |
| Newspapers | 62% | $ 13,081 |
| Direct Mail | 43% | $ 23,093 |
| Magazines | 45% | $ 15,151 |
| Other Printed Publications | 39% | $ 4,159 |
| Out-of-Home | 38% | $ 19,274 |
| Broadcast TV | 41% | $ 56,582 |
| Streaming Video/OTT | 26% | $ 25,048 |
| Online Directory Listings | 24% | $ 2,125 |
| Cable TV | 22% | $ 35,777 |
| Printed Directories | 17% | $ 1,522 |
| Email Sponsorships | 17% | $ 4,296 |
| Mobile In-App Ads | 15% | $ 3,006 |
| Content Marketing | 17% | $ 7,527 |
| Streaming Audio/Podcasting | 19% | $ 7,121 |
| Mobile SMS/Text | 14% | $ 4,560 |

SOURCE: Borrell's Fall Survey of Local Advertisers; N=851 radio buyers

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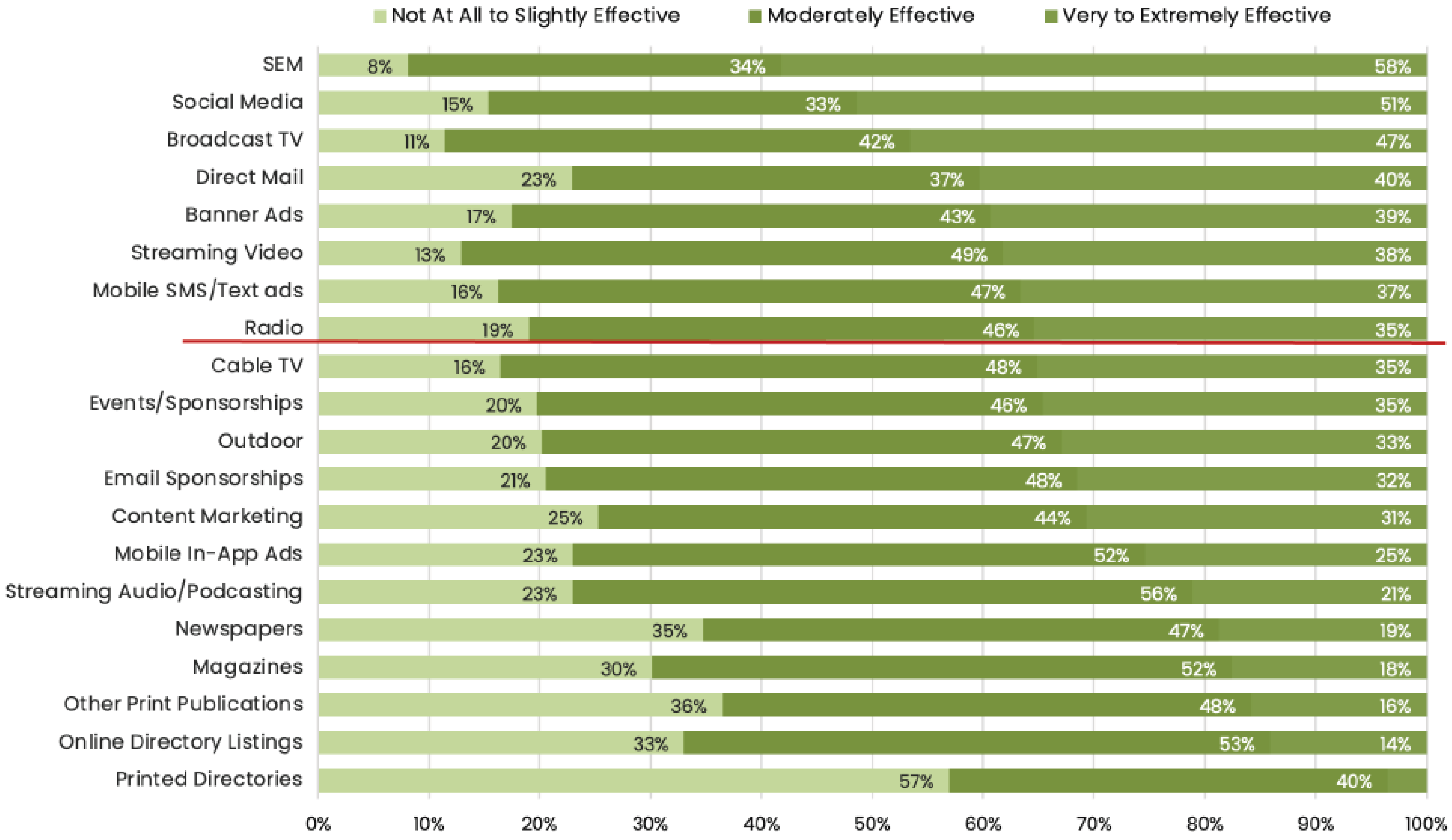
# The Pulse of Radio Buyers

## Radio Buyers Rate Effectiveness of What They're Buying




SOURCE: Borrell's Fall Survey of Local Advertisers; N=851 radio buyers

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# The Pulse of Radio Buyers

## How Radio 'Cutters' Plan to Change Media Usage

| % of those who bought radio in 2022 but planned to cut it in 2023 | | | | |
|---|---|---|---|---|
| Type of Advertising | % of "Cutters" Who Purchased in 2022 | % of "Cutters" Planning to Buy in 2023 | *% Point Difference* | |
| Radio (AM/FM) | 100.0% | 83.5% | *-16.5* | |
| Direct Mail | 44.0% | 41.2% | *-2.7* | *Radio cutters are also trimming these* |
| Other Printed Publications | 34.6% | 31.9% | *-2.7* | |
| Magazines | 42.3% | 39.6% | *-2.7* | |
| Newspapers | 52.7% | 51.1% | *-1.6* | |
| Printed Directories | 15.9% | 14.8% | *-1.1* | |
| Broadcast TV | 40.7% | 39.6% | *-1.1* | |
| Online Directory Listings | 23.6% | 22.5% | *-1.1* | |
| Events/Sponsorships | 63.7% | 63.2% | *-0.5* | |
| Streaming Audio | 17.0% | 25.3% | *8.2* | *Radio cutters are increasing these* |
| Mobile SMS/Text Ads | 13.7% | 20.9% | *7.1* | |
| Mobile In-app Ads | 13.7% | 19.8% | *6.0* | |
| SEM | 50.5% | 55.5% | *4.9* | |
| Streaming Video | 25.3% | 30.2% | *4.9* | |
| Email Sponsorships | 17.0% | 22.0% | *4.9* | |
| Outdoor | 32.4% | 36.8% | *4.4* | |
| Social Media | 70.3% | 73.1% | *2.7* | |
| Banner Ads | 60.4% | 62.6% | *2.2* | |
| Content Marketing | 18.7% | 20.3% | *1.6* | |
| Cable TV | 16.5% | 17.6% | *1.1* | |

SOURCE: Borrell's Fall Survey of Local Advertisers; N=851 radio buyers, of whom 182 (21%) planned to trim or eliminate radio spending

# Where 'Cutters' Plan to Spend More in 2023

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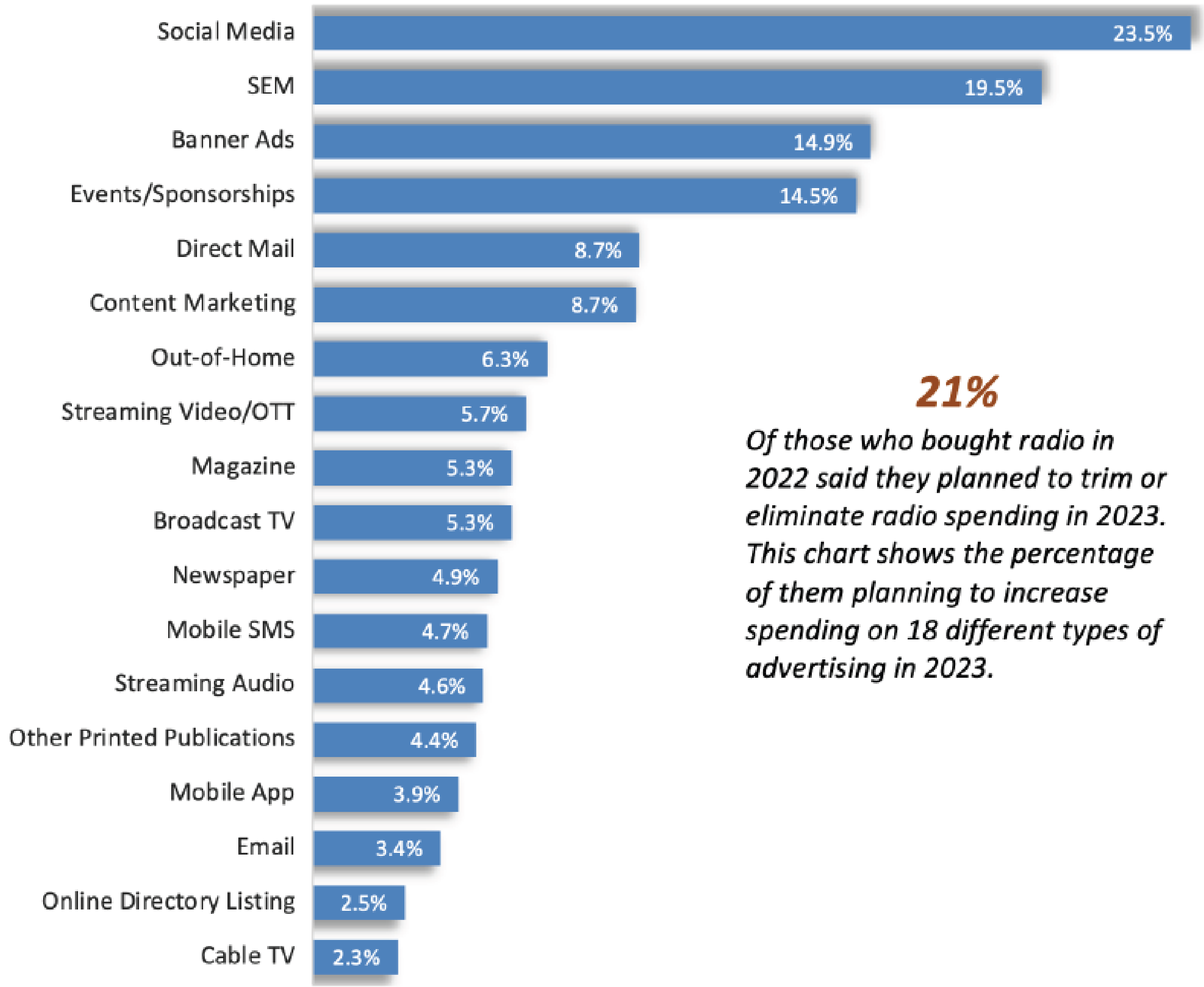
**The Pulse of Radio Buyers**




***21%***

*Of those who bought radio in 2022 said they planned to trim or eliminate radio spending in 2023. This chart shows the percentage of them planning to increase spending on 18 different types of advertising in 2023.*

SOURCE: Borrell's Fall Survey of Local Advertisers; N=851 radio buyers, of whom 182 (21%) planned to trim or eliminate radio spending

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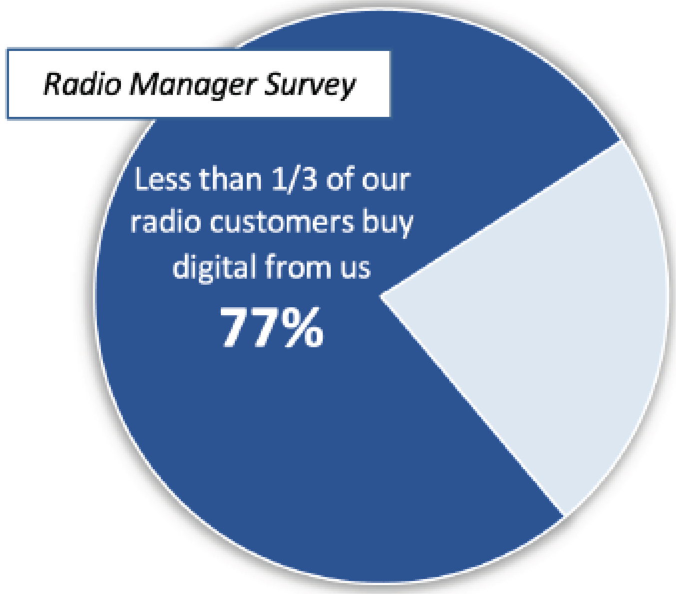
# The Pulse of Radio Buyers

***They're far more likely to buy the type of digital marketing that radio sells …***

*Radio Advertiser Survey*

| *Radio buyers are more likely than non-buyers to purchase . . .* | *by a factor of…* |
|---|---|
| Streaming Audio | 3.6x |
| Streaming Video | 3.2x |
| Email Sponsorships | 1.9x |
| Banner Ads | 1.7x |
| Social Media | 1.4x |
| Search Engine Marketing | 1.3x |




***… yet two-thirds of the typical station's customers aren't buying its digital products (yet)***

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SOURCES: Borrell's Fall Survey of Local Advertisers; N=851 radio buyers and 1,132 non-buyers; Dec. 2022/Jan. 2023 survey of 169 radio managers

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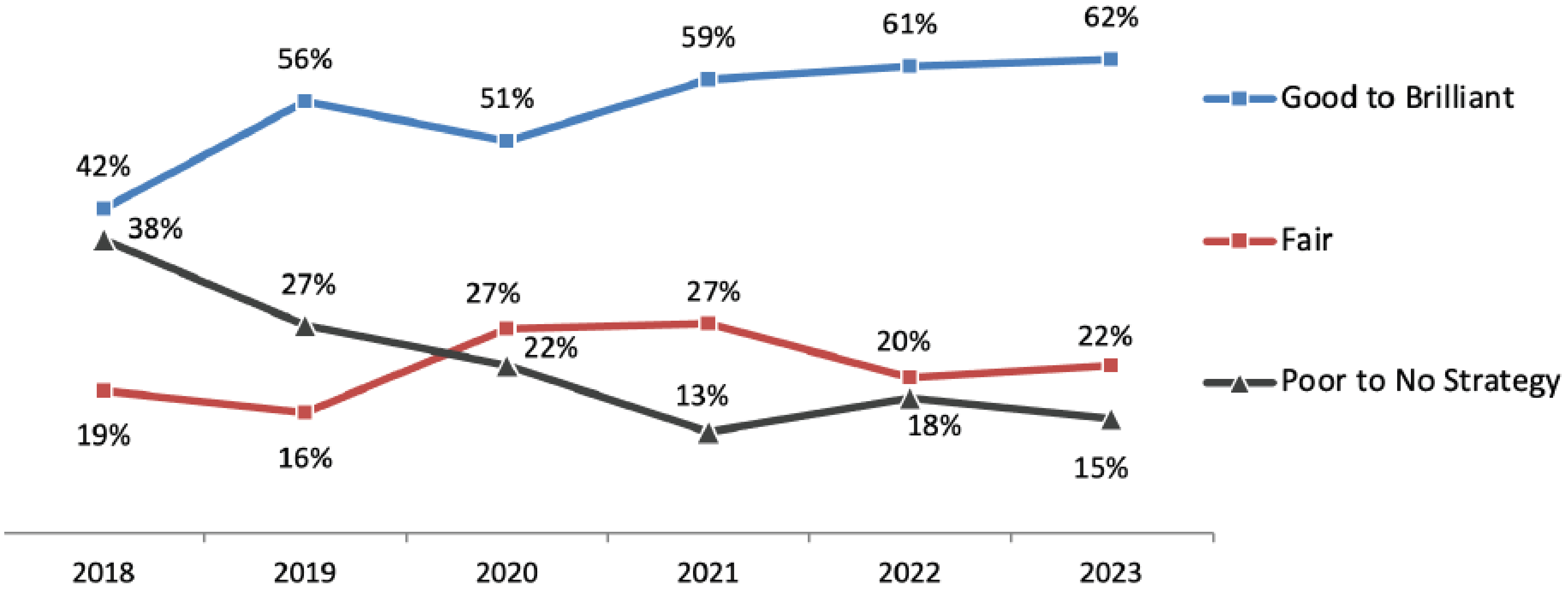
# Managers Weigh In

## Managers Rate Their Stations' Digital Strategy




SOURCE: Borrell/RAB surveys: N=126 for 2018; 132 for 2019; 188 for 2020; 220 for 2021; 227 for 2022; 169 for 2023

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**Managers Weigh In**

# Training Yields to a New Demand:
# *'Give Us More Digital-Only Sales Reps!'*

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

| Radio managers were asked to pick one | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| | % responding | | | | |
| Training existing sales reps | 35% | 48% | 40% | 52% | 38% |
| Adding digital-only sales reps | 29% | 32% | 17% | 34% | 45% |
| Having more/better digital products to sell | 22% | 11% | 35% | 6% | 6% |
| Replacing existing sales reps with better ones | 14% | 9% | 8% | 8% | 11% |

*NOTE: 74% of managers told us their sales teams get training at least once a month*

SOURCE: Borrell/RAB surveys: N=126 for 2018; 132 for 2019; 188 for 2020; 220 for 2021; 227 for 2022; 169 for 2023

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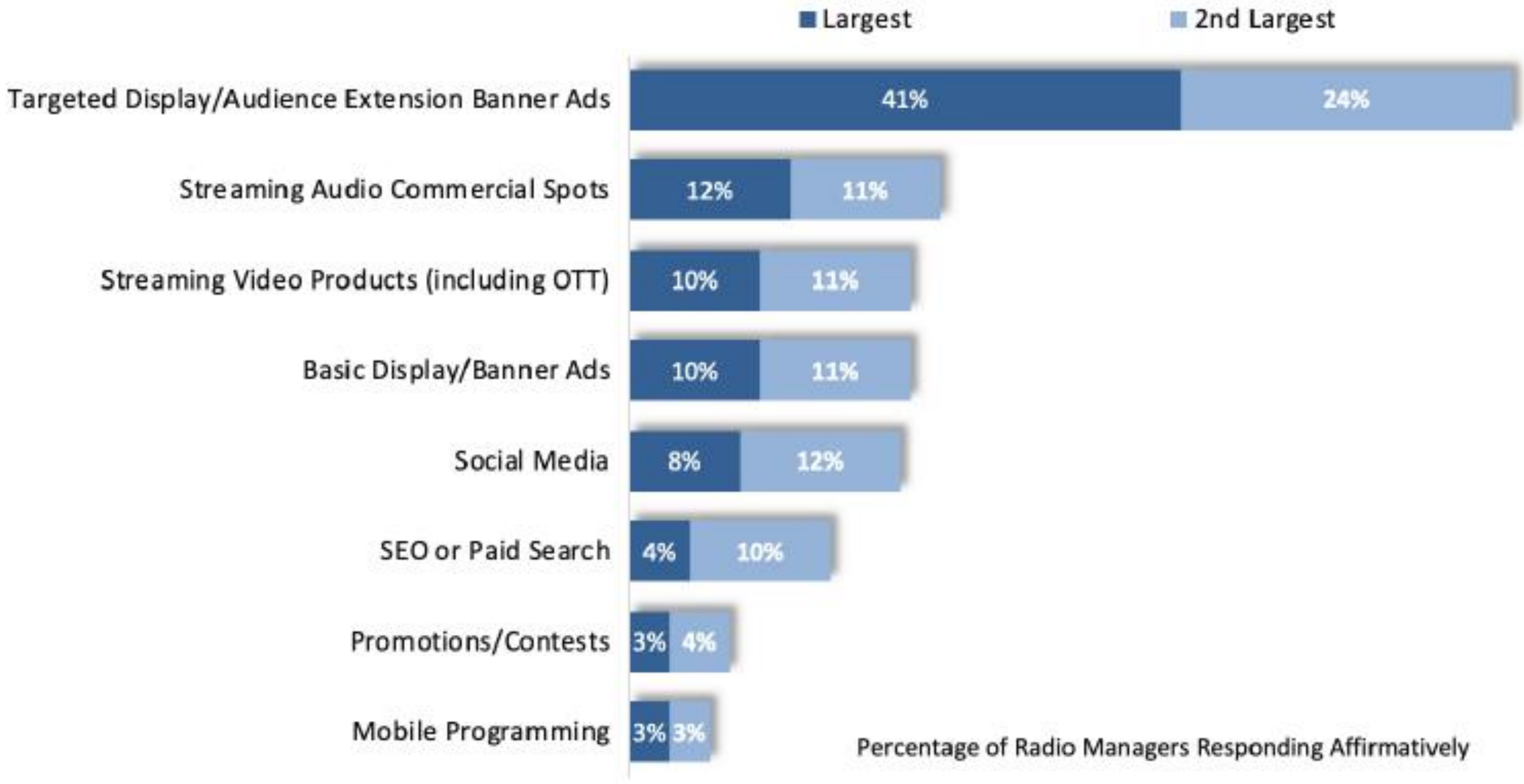
# Radio's Digital Market Share

## Largest Sources of Digital Revenue




SOURCE: Borrell/RAB Dec 2022-Jan. 2023 survey: N=169 radio managers

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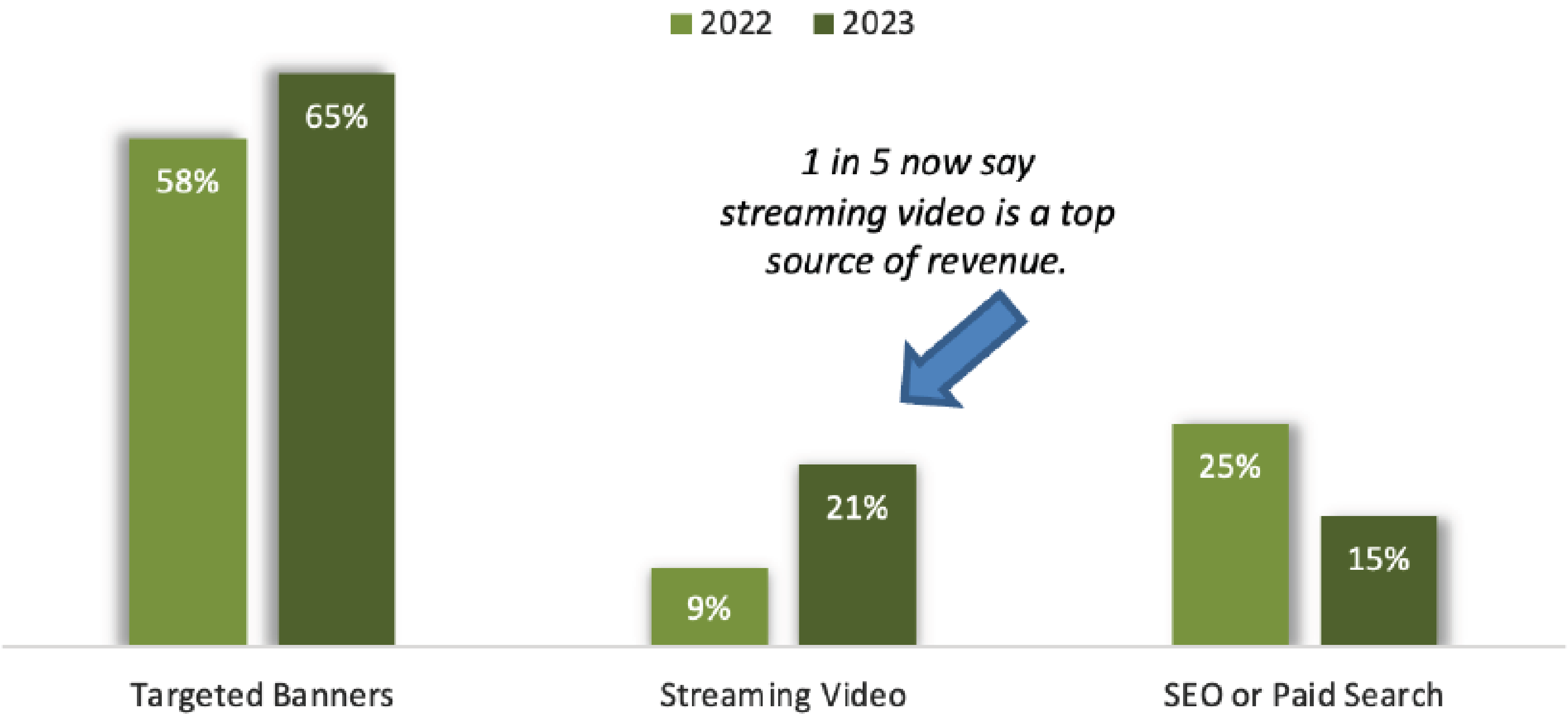
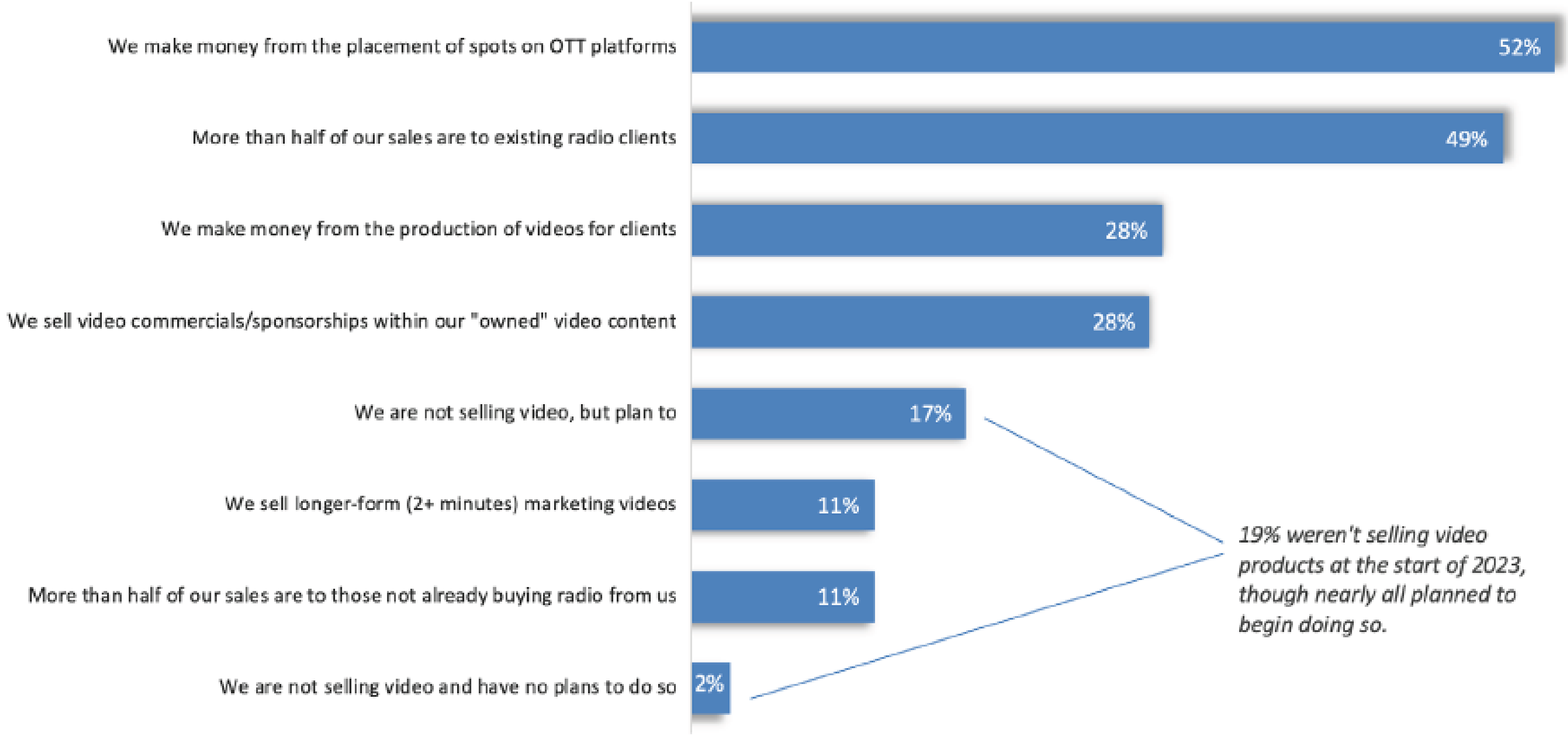
# Radio's Digital Market Share

## Largest Sources of Digital Revenue




SOURCE: Borrell/RAB Dec 2022-Jan. 2023 survey: N=169 radio managers

# Insights on Streaming Video & OTT Sales




SOURCE: Borrell/RAB Dec 2022-Jan. 2023 survey: N=169 radio managers

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**Radio's Digital Market Share**

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# Share of Obtainable Digital Revenue

## Per-Cluster Share of Obtainable Digital Revenue by Market Size, 2022

| | Sample Size | | Share of In-Market Obtainable Digital Revenue | | | |
|---|---|---|---|---|---|---|
| DMR Size | Stations | Clusters | Avg. | Median | Highest | Best Practice* |
| 1 to 10 | 364 | 89 | 1.2% | 0.6% | 6.6% | 5.2% |
| 11 to 20 | 286 | 65 | 2.2% | 1.0% | 11.9% | 9.7% |
| 21 to 50 | 513 | 121 | 2.3% | 1.2% | 14.8% | 11.1% |
| 51 to 100 | 738 | 164 | 3.8% | 2.1% | 18.1% | 15.9% |
| 101 to 200 | 1,003 | 204 | 5.7% | 3.4% | 35.6% | 33.1% |
| 201 to 300 | 447 | 91 | 8.3% | 4.8% | 43.3% | 35.8% |
| 301 to 513 | 336 | 67 | 10.6% | 4.8% | 50.6% | 44.3% |

*Average market share for the five market clusters getting the largest shares in this peer group
Source: Borrell's Digital Revenue Database

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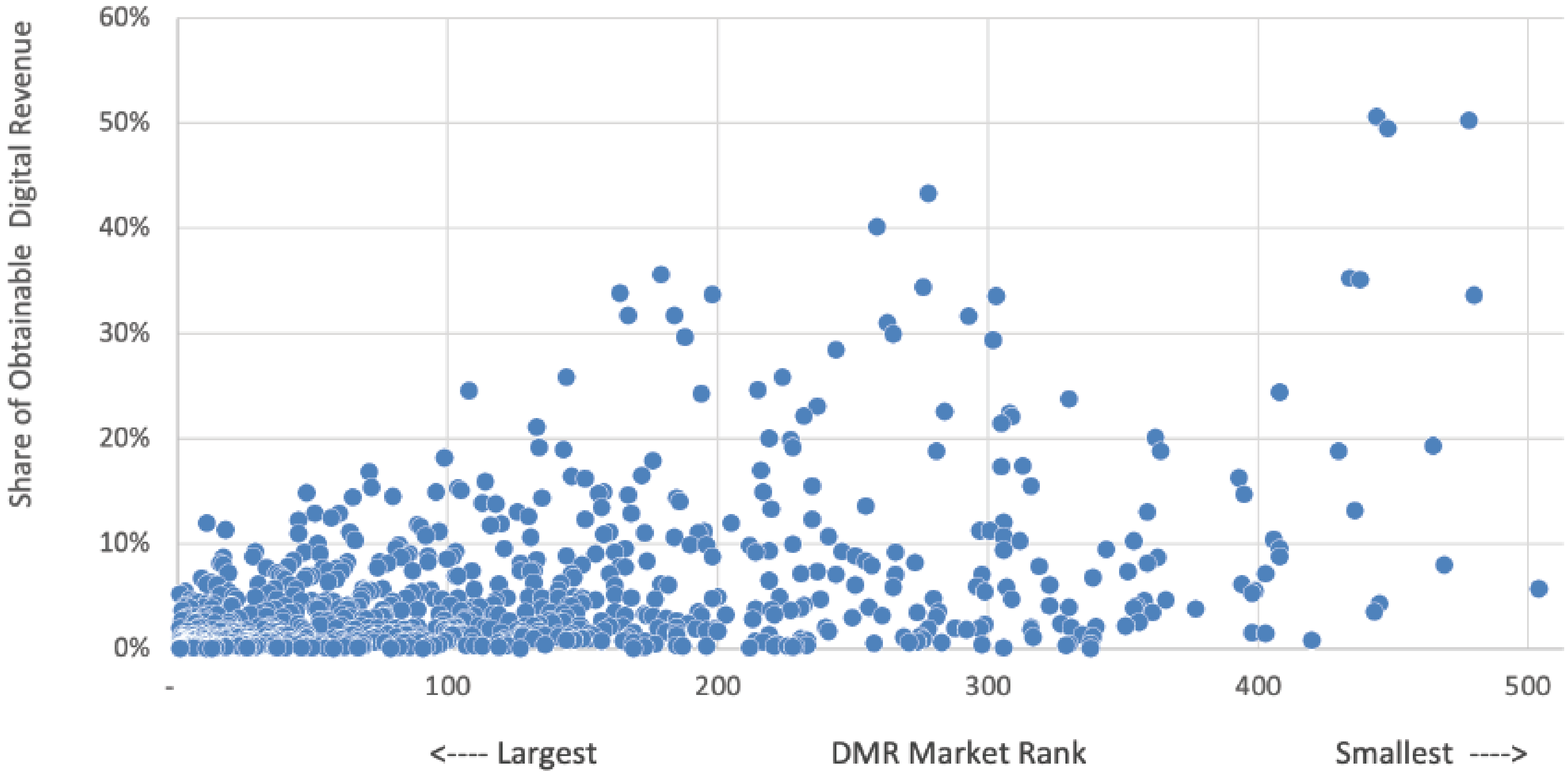
# Radio's Digital Market Share

## Share of 2022 In-Market Obtainable Digital Revenue for 815 Radio Market Clusters



# Conclusions & Observations

- Adopt a long-term revenue BHAG (30% share?)
- Re-evaluate sales prospecting methods
- Consider hiring digital-only sales reps
- Evaluate your OTT strategy & profitability
- Prepare for phase-out of 3rd-party cookies
- Establish aggressive 1st-party data collection goals
- Remember that content is king. Pursue coronation.

# Questions?