

Flight to Digital Continues

Companies: AMZN, AOL, CBS, COO, CMCSA, DIS, DISCA, FB, GCI, GOOG/GOOGL, LAMR, MSFT, NFLX, NLSN, NWS, P, RENT, SBGI, SNI, SSP, TWTR, TWX, VCI, VIA, YHOO

July 15, 2014

Research Question:

Has the advertising shift to digital media observed by Blueshift Research continued in the second quarter and the second half of this year?

Summary of Findings

- The advertising shift to digital media that began in the fourth quarter of 2013 and became even more pronounced in the first quarter of this year continued into the second quarter. Even more spending has been redirected to social, video and mobile.
- Blueshift Research's [Jan. 14](#) and [April 15](#) reports saw a significant shift to digital media among advertisers. This dynamic was confirmed in our [June 30 report](#) on the upfront advertising market, which found digital gaining network TV and cable budgets.
- Beneficiaries of the digital advertising shift are [Facebook Inc.](#) (FB), [Twitter Inc.](#) (TWTR), and Google Inc.'s (GOOG/GOOGL) [YouTube](#).
- Network and local spot TV are both seeing weaker spending as national advertisers focus on making digital a larger percentage of their media plans. This was the first time in decades that cable did not show year-to-year share growth.
- Political advertising is expected to direct a larger portion of spending to digital this fall.
- Newspapers maintained their rates despite weaker than expected year-to-year spending.
- The disappearance of national business in the out-of-home (OOH) landscape has weakened the industry beyond expectations both quarter to quarter and year to year.

Silo Summaries

1) Digital Media Experts

Advertisers, particularly large national brands, have increased their efforts in moving dollars to digital, according to these seven sources. **Automotive manufacturers changed media compensation in favor of digital by mandating that only 10% of nondigital advertising will be reimbursed in 2015, as opposed to the current rate of 50%.** Advertisers are seeking flexibility, targeting and measurement in much more profound ways, and the me-too nature of advertisers saw such stalwarts as Facebook, Twitter and YouTube gaining a significant share of digital dollars.

2) Network TV/Cable Negotiators

These three sources said rates for the network TV/cable upfront market increased in the single digits while total dollars were down equally. More significantly, **TV budgets saw share shifts to general digital, which includes social and mobile.** This was the first time in decades that cable did not show year-to-year share growth.

3) Local Spot TV/Cable Sellers and Buyers

These five sources said the first half of the year was soft, rates were flat to down slightly year to year and spending fell significantly for national advertisers. However, **the back half of 2014 already is seeing political dollars pushing rates up in the low double digits year to year. Some sources believe digital will claim significantly more political dollars this year, while station managers have seen local digital properties capturing more ad dollars than in years past.**

4) Newspaper Executives

These two sources said spending was slightly lower than expected for the second quarter, but they still were able to keep rates up year to year based on packaged deals and easy comparisons with the recession's pricing. **They are relatively optimistic and are assisting their clients with local digital purchases.**

5) OOH Sellers and Buyers

The out-of-home market started feeling a crunch at the end of fourth quarter of 2013, saw a worsening in the first quarter and may have decline further in the second quarter, according to three of these four sources. **Although rates on premium properties have held up, sellers are aggressively lowering rates on billboard and poster inventory to attract advertisers.** National and local advertisers alike are shifting dollars to digital, which has pressured pricing and occupancy rates.

	Spending 2Q14	Rates 2Q14	2H14 Visibility
Digital Media	↑	↑	↑
Network TV/Cable	↓	↑	→
Local Spot TV/Cable	→	→	→
Newspaper	→	↑	→
OOH	↓	→	→



Quarterly Advertising Report

Background

Blueshift Research's reports from [April 15](#) and [Jan. 14](#) saw a significant shift to digital media among advertisers. This dynamic was confirmed in our [June 30 report](#) on the upfront advertising market, which found digital gaining network TV and cable budgets.

Current Research

In this next study, Blueshift Research assessed whether digital spending continued to gain remarkably from other media and grow in the areas of social, online video and mobile. We employed our pattern mining approach to establish six independent silos, comprising 22 primary sources (all repeat sources) and three secondary sources focused on relevancy of traditional and digital media:

- 1) Digital media experts (7)
- 2) Network TV/cable negotiators (3)
- 3) Local spot TV/cable sellers and buyers (6)
- 4) Newspaper executives (2)
- 5) OOH sellers and buyers (4)
- 6) Secondary sources (3)

Next Steps

Blueshift Research will revisit sources around the middle of the third quarter to determine if weak advertising spending from the first half of this year has continued into the second half.

Silos

1) DIGITAL MEDIA EXPERTS

Advertisers, particularly large national brands, have increased their efforts in moving dollars to digital, according to these seven sources. Automotive manufacturers changed media compensation in favor of digital by mandating that only 10% of nondigital advertising will be reimbursed in 2015, as opposed to the current rate of 50%. Advertisers are seeking flexibility, targeting and measurement in much more profound ways, and the me-too nature of advertisers saw such stalwarts as Facebook, Twitter and YouTube gaining a significant share of digital dollars.

KEY SILO FINDINGS

Second-Quarter Spending Year to Year

- Spending on digital media continued to increase in the low double digits during the second quarter, particularly in the areas of social, video and mobile.

Rates

- Rates for [CPM](#) and [CPC](#) in digital media were relatively flat; a bifurcation occurred, with programmatic becoming the low and custom units the high.

Categories

- Automotive and beverage companies significantly ramped up online spending.

Trends

- Social, audio, video and mobile continued to attract additional dollars.

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1. Global digital director for a top-five media agency; repeat source

This source's global digital team has seen little growth in overall ad dollars but continued to report low double-digit growth in digital. Pricing is headed either lower (programmatic) or higher (custom inventory). As the landscape becomes more fragmented, advertisers are demanding just-in-time flexibility, which has clouded market visibility.

Second-Quarter Spending Year to Year

- "Total global spending is up 2%, but digital is growing 10% to 15%."
- "All media is not growing; it is up a negligible 2% off a very large base, which is a large number, but the percentage of growth is very small. The brands can't increase their spending; some are up and some down. Now the question is how does this get sliced and diced in an ever-fragmenting market. We are at an inflection point because the vast majority of marketers are not thinking about TV so much as their overall video strategy."

Rates

- "Pricing is bifurcated because on one end of the spectrum you have programmatic, meaning automated buying. A lot more money is moving there. I saw a forecast that some are moving 50% towards programmatic, and we're not topped out there. You will see broadcast, out-of-home and mobile moving more towards programmatic. With programmatic, there is no rate card; this is putting downward pressure so publishers are trying to make it up in custom units. The publishers have pushed into programmatic to keep up with the ad networks, but because of programmatic they are having to drive up pricing elsewhere."

Categories

- "[Yahoo \[Inc./YHOO\]](#) is always on a roller-coaster; though they have good assets, they are missing the mark right now. Their revenue is supported by [Alibaba](#), and display revenue continues to go down. This is not the first time they are betting the farm on content. [CEO] Marissa [Mayer]'s strategy is to have people come and linger longer on a new and lifestyle-magazine style content. This isn't relevant for younger audiences, though. I don't believe their content strategy is wrong, but the audience they are targeting is. My daughter would never go to Yahoo."
- "Old-line players such as [AOL \[Inc./AOL\]](#) and [Microsoft \[Corp./MSFT\]](#) are also of concern. Microsoft is betting the farm on Windows 8 and Xbox, but it's a big gamble. Although they have good clean content, it targets an older audience [not on Xbox]. AOL is cleaning things up and focused on content and distribution, and their content is targeted at younger audiences. ... They need to go off-network and distribute off-network to do better."
- "YouTube is the 100-million-pound gorilla because of its scale. They are able to use channels that justify spending with them."

Trends

- "Not every CMO [chief marketing officer] is there yet, but the big broadcast spenders have their teams that are under them telling them that the very nature of behavior has changed because of the combination of ratings and guarantees. Money is coming out of broadcast for digital when just under two years ago it was shifting within digital."
- "There are two parts to what is changing. Broadcast and cable networks tried years ago to bundle their digital properties with broadcast as an added value rather than something to be valued on its own. But the broadcast expression in those extensions had no rating and no guarantee, so the TV buyers couldn't plan for it and it struggled for a few years. But the game changer was when broadcast extensions had ratings and guarantees. The second part is pure-play digital properties, which were still in reach mode, not brand engagement or integration. YouTube, [Hulu \[LLC\]](#), AOL and Yahoo began to realize that they needed to get broadcast dollars. Up until recently the digital dollars were only share shifting, so they went to [OCR](#) and guaranteed audiences like broadcast. Just like broadcast, they can make up for the shortage if there is one."
- "Digital is bought in real time. The market is shifting and understanding that advertisers can't tie up much in an upfront commitment because they need flexibility, especially with data coming in in real time and the advertisers' desire to adjust quickly."

Now the question is how does this get sliced and diced in an ever-fragmenting market. We are at an inflection point because the vast majority of marketers are not thinking about TV so much as their overall video strategy.

*Global Digital Director
Top-five Media Agency*

Quarterly Advertising Report

2. President/CEO of a global media consulting firm; repeat source

Spending continues to rise for media that allow advertisers to buy with more transparency in real time. Social, online video and forms of classic media are extending into digital because its addressability and targetability are outpacing the TV model. Social, video and audio are benefiting from share shifts coming from TV as well as classic media coffers.

Second-Quarter Spending Year to Year

- “Spending is up year to year and a little flush over the last two years with clients that are selectively cautious.”
- “The broadcasters have a relative intransigence to programmatic, data, transparency versus online video and cable. There is more flexibility in local and national cable than network spot and national.”
- “There are two major elements: One is cyclical with quarter-to-quarter going up and down, but there is a harmonic convergence with structural changes. TV people need to be willing to embrace certain forms of digital evaluation. Buyers are at least saying the right thing because they are getting pressured by increasingly data-conscious clients. Digital hears that desire and tries to deliver more metric evaluation. The collective TV opinion has been not yet, not on my watch. Also, [Nielsen \[Holding N.V./NLSN\]](#) is in collusion with sellers.”

Rates

- “Rates are bifurcated along programmatic and premium units.”

Categories

- “There is a broad desire by all marketers and a mandate to have better ROI and proof. These marketers will tend to mandate more digital as the first choice. Most media have made more inroads than television in digital.”
- “YouTube’s [Machinima](#) is the third most-watched young-male network in the U.S.”
- “[Netflix \[Inc./NFLX\]](#) can and will do the ad thing seamlessly, just like [Amazon\[.com Inc./AMZN\]](#) could do it: \$8 streaming Netflix and take ads and pay \$5.99. ... Don’t underestimate where consumer behavior is.”
- “Any moment, you will see ads delivered more intelligently. Amazon has done preroll experimentation on Prime or pay-per-view, and advertisers will defray the cost.”

Trends

- “There will be growth in digital and programmatic. Sellers are still coming to the market with audiences that are women 25 to 54 or men 18 to 49 [years old]; the buyers still buy that way, but that is changing. Third- and first-party data is getting better at determining how best to spend these dollars.”
- “I predict a gigantic jump in political spending, especially in online video, will not go to the networks because they don’t understand the online game. A lot of political advertising will approach online video landscape because they can apply first- and third-party party data to inform video buys. You can’t do that in local TV. TV sellers are very resistant to go to the market except with opaque information. You will see a lot of TV sellers getting schooled.”
- “Social—whether organic or paid—is addressable, audience-based, segmentable, and you can’t do that on TV. TV is a blunt instrument. Data starts to show a decent number of people are not watching linearly, and there are increasing questions around doing better with targeting and buying a certain audience.”
- “Radio, print and OOH—the classic versions of these buys are relatively flat to slowing. However, the digital expressions are growing year to year. Classic media folk are embracing the fact that consumers are not linear although TV is still solid. Twenty-five percent of radio buying is now through non-radio sources. [Pandora \[Media Inc./P\]](#) has 3% to 6% of local listenership. [Jelli \[Inc.\]](#) is a programmatic platform for buying linear radio.”

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President/CEO
Global Media Consulting Firm

3. President for a top-15 international digital media agency; repeat source

A shift to digital is occurring in episodic shifts. Spending on digital continues to rise in the low double digits as rates become cheaper and more efficient.

Second-Quarter Spending Year to Year

- “Spending is up low double digits. Budgets are healthy.”

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- “Spending is on everything digital and socially enabled. Big brands are using marketing technology and automation.”

Rates

- “The [CPA](#) is getting cheaper because when I send you an email, I understand the life cycle of you so I spend a lot less on marketing.”
- “Advertising as a scarcity model has been imploded.”
- “Where rates are year to year is hard to define because it depends on the vertical, B2B or B2C, so with digital it is either a unique price point or a very specific measurement. But everything depends on performance.”

Categories

- “Search is constantly evolving, and advertisers are constantly lowering the CPC because they are building bigger conversation points. You can search on Twitter. It’s not just searching on Google. Facebook talks a lot about search-based and who you are connected with. YouTube, [Yelp \[Inc./YELP\]](#), [TripAdvisor \[Inc./TRIP\]](#) are all search. Amazon is looking to launch in the local market. Even wearable technology continues to be the biggest thing.”

Trends

- “I’m seeing the shift to digital as episodic events. 1) Online video has moved beyond YouTube’s three-minute video. We are starting to see brands with tremendous appeal such as [The Walt] Disney [Co./DIS], a massive organization [purchasing](#) YouTube channels. ... This is a powerful slide into the TV model. ... It makes you look at TV differently. 2) Infrastructure and speed have changed. The fiber optic speed is a lot easier to access, and the pipes have opened up. IT is not limited to geek trends but is accessible to everyone. This is not the speed of TV, but it is happening a lot faster. 3) Mobile: our ability to watch and consumer on the run.”
- “[TrueView](#) is the gateway drug. [Google AdWords](#) in the early days didn’t build an option like this. Google aggregated the data and would go to the [CPG](#) advertisers and say this what they are clicking on and based on search you are over- or under-indexing. And you would take the data pure model and apply it to YouTube. ... Skipping ads shows you can take the data and show a brand how to get better at reaching their consumer.”
- “Mobile is a service, not a platform. Sites are being built to be more responsive to mobile, whether that is apps or video run on devices.”
- “Facebook mastered how to engage with mobile. I watched this company pivot from from a web-based platform one year ago to a company with mobile expertise. What they did has worked amazingly well for brands.”
- “On brevity Twitter is great, but on visual they fall flat. Everyone wants visual. That’s why Facebook buying [Instagram](#) was a smart acquisition.”
- “Social is not about Facebook and Twitter only. YouTube is highly social, Google is an engine of information, Amazon with the [Fire Phone](#) will be extremely social. CMOs think that a lot of likes and fans or something going viral is the nature of social, but an app is a powerful tool that transcends any of that and is shareable.”

Where rates are year to year is hard to define because it depends on the vertical, B2B or B2C, so with digital it is either a unique price point or a very specific measurement. But everything depends on performance.

President, Top-15 International Digital Media Agency

4. Director of emerging media for a top-five media agency; repeat source

Digital is gaining because it has matured as a medium, but not all digital properties are equal and TV is not dead. The industry is framed around reach, but the source cited a case for targeting users when they are in the frame of mind to buy a product; that is where digital is best deployed.

Second-Quarter Spending Year to Year

- “Spending is up low double digits year to year for digital media because it has grown up and people are recognizing that the ROI is proving out in some cases. There is definitely a cultural shift to move money to digital.”

Rates

- “Rates in digital are not going up year to year.”

Categories

- “Facebook’s effectiveness is hit-or-miss. The industry issue right now is the fact that we have defined success as reach. We don’t care if it’s a good or bad ad unit; we just want to know we have reached the right person. You can

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get aggregated reach on Facebook, but does anyone pay attention to the ads? No. ... Do you think they will stick around for that? No.”

Trends

- “We are still talking about [GRP](#) as a currency, which is the backbone of media buying and planning, but it no longer makes sense. It is getting away from that sort of generalizing to target down to someone who is in the market for a car and marketing to them. This is a better system than the general 18- to 49-year-old target. There is a misperception or a blind acceptance that ROI for every marketers is the same, and it’s not true. A chewing gum and a luxury brand are marketed differently. There is no panacea.”
- “There are a lot of success stories in the trade, especially around Twitter and Facebook deals, and they are following the me-too thing. Some dollars are shifting faster than they actually should. There is a whole class of CMO that is being groomed into ROI.”
- “There is absolutely a shift to digital that has accelerated because it is no longer prepubescent; it is a young adult. Digital is a bonafide medium that has improved in many ways and in particular because of unbalanced business models, which is why it is getting more of its share than it deserves. ... You can reach people in a fragmented media environment, but can you do it as compelling as TV? It’s more of a matter of where the consumer is going, and they are absolutely making a tradeoff in print versus online. Newspapers are the walking dead, and at the same time there are use cases where they also do well. There are some generations that will not adopt a completely digital lifestyle. TV is a different story because time shifting is happening even while people are still watching. TV sets are flying off the shelves because people want to watch it. Core viewing is still on network and cable.”

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*Director of Emerging Media
Top-five Media Agency*

5. Vice president of marketing for a midsized digital agency; repeat source

This agency is working with more B2B clients than B2C; it expects to continue to add new clients as well as to see long-term clients increasing their spending on digital media. The source reported spending more on Twitter than Facebook and will increase spending on mobile this year.

Second-Quarter Spending Year to Year

- “Budgets are up 30% year to year with more spending on Twitter, [LinkedIn \[Corp./LNKD\]](#), Facebook and Google.”

Rates

- “Rates are flat for CPC.”

Categories

- “We have financial and retail [big-box] clients that are increasing their spending incrementally on digital.”
- “Healthcare is also spending more year to year.”

Trends

- “We are moving more into the mobile landscape this year. This is the year of mobile, with millions of mobile apps, and we are also doing sponsored posts on Facebook.”
- “We are doing more with proximity mobile device units, where we can get consumers to opt in for information they want and deliver our message.”
- “Everyone’s using data plans that don’t interfere with getting data on the go, which is opening up a whole new world to reach consumers.”

6. Director of digital media for a digital consulting firm; repeat source

Social is a great avenue for marketers to have conversation with their customers, but social platforms are lousy for advertisers. Resources are being used to create content that will be shared among users, rather for sponsored posts.

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Second-Quarter Spending Year to Year

- “Clients are spending more on digital media.”

Rates

- N/A

Categories

- “Categories include large retail, professional services and publishers.”

Trends

- “Social is great for marketers and lousy for advertisers.”
- “Advertisers need to stop thinking about messages in social media. Facebook is making it harder to get a message across, but it enables brands to tell a story, engage in conversation, facilitate connections. You have to give people something they want to share with each other.”

7. Director of multicultural digital buying for a top-five media agency; repeat source

Spending overall was flat in the first half of 2014 because national advertisers cut back on Hispanic advertising. However, more advertisers and more major media companies are focusing on having multicultural expertise to tap into this revenue stream as Hispanics over-index on texting, online and social platforms.

Second-Quarter Spending Year to Year

- “The first and second quarter were flat year to year. There could have been a decline, but for whatever reason we saw Hispanic spending cut in general.”
- “Spending is always going up in digital, but it is not easy to see if it is at the expense of other media or if it is in addition. For example, radio is at the core of what we do, but we are adding audio in more places like spending on Pandora. Our additions to audio are in streaming, but we don’t necessarily see money going from radio into streaming.”
- “We are not getting budgets upfront anymore as digital continues to morph and programmatic is on the rise. Clients want more flexibility with their dollars, and no one wants to be tied down.”

Rates

- “Rates are flat for display and flat to slightly up for CPC.”

Categories

- “All categories are spending; we don’t see any particular standout.”

Trends

- “Display keeps getting eaten away at but is still pretty relevant.”
- “Video and mobile are growing the fastest.”
- “Facebook and Twitter are huge for Hispanics. Facebook has the largest scale of Hispanics online. It’s compelling from a reach standpoint, and its ability to target Hispanics has vastly improved. You can now buy a Hispanic cluster.”
- “Facebook is constantly changing their ad units. The goal is to default to the newsfeed, but they still have ads on the side. We use Facebook Exchange for some clients, but it depends on how much they are playing into programmatic buying.”
- “Twitter is getting more recognition from the multicultural buying. They just hired someone to work with their multicultural audiences. It continues to get refined, and we will spend more with them for sure. Before, it was hard to know how to engage.”
- “Yahoo, AOL and Google are also working with Hispanics.”
- “We have some clients that want to move a majority of their spending to programmatic. We have some that are at 50/50, some that are 60/40 and some that are not in it yet.”
- “We are seeing more major, mainstream companies adding a multicultural champion like Pandora and now at [Clear Channel \[Outdoor Holdings Inc./CCO\]](#). More and more the marketplace is figuring out this revenue stream.”
- “The entire YouTube team is skewed to Hispanic at Google. There is a premium on video because the Hispanic supply is in a crunch.”

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*Director of Multicultural Digital Buying
Top-five Media Agency*

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2) NETWORK TV/CABLE NEGOTIATORS

These three sources said rates for the network TV/cable upfront market increased in the single digits while total dollars were down equally. More significantly, TV budgets saw share shifts to general digital, which includes social and mobile. This was the first time in decades that cable did not show year-to-year share growth.

KEY SILO FINDINGS

Second-Quarter Spending Year to Year

- Spending was flat to down at most major ad firms for network TV and cable upfront buys. The total dollars for broadcast were down 5% to 10%, while cable fell 5%.

Rates

- Rates were up in the low single digits for broadcast and cable networks.
- Comcast Corp.'s (CMSCA) [NBCU](#), [Scripps Networks Interactive Inc.](#) (SNI) and sports saw the largest gains (high single digits) in rate hikes.

Categories

- All categories are seeking addressability as well as measurement that is comparable to what they are getting from digital ad units.

Trends

- For the first time, upfront TV budgets saw share shift to digital; advertisers' appetite for digital appears insatiable.

1. National broadcast negotiator for a top-five media agency; repeat source

Digital is stealing share from broadcast TV dollars as digital sales executives are making a case for their inventory; however, long-term TV and digital will work out a marriage rather than compete.

Second-Quarter Spending Year to Year

- "Spending is down year to year in the low single digits for both broadcast and cable."
- "This is not cyclical; budgets aren't going up again. Digital is taking small bites of national TV and shifting it to general digital. There are massive increases on Facebook, Google [YouTube] and mobile."

Rates

- "Rates for the upfront market were up low single digits for most networks year to year, but overall dollars were down 5% to 10% for broadcast and down 5% for cable."

Categories

- "A broad brush of categories are shifting their spending to digital."

Trends

- "Major digital companies are working with advertisers to prove out the effectiveness. Facebook is showing that it can drive offline sales, and so can Google."
- "Digital and television work well together, but neither can replace the other. They are competing with each other right now, but that will moderate and gradually change."

Digital and television work well together, but neither can replace the other. They are competing with each other right now, but that will moderate and gradually change.

*National Broadcast Negotiator
Top-five Media Agency*

2. President and executive director of national broadcast for a top-five media agency; repeat source

The reality of digital's effectiveness remains highly questionable. Spending has been lackluster in network TV because of an overall ho-hum economy and advertisers' unwillingness to commit more dollars in advance.

Second-Quarter Spending Year to Year

- "Spending was soft in the upfront as there is an ongoing gradual migration to digital."

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- “[News Corp.’s/NWS] [Fox’s](#) and [CBS \[Corp.’s/CBS\]](#) ratings erosion caused them to take a backseat to [Comcast’s] NBC, who led the rate increases after nine years of being down.”

Rates

- “Rates were up low single digits for most broadcast and cable networks, with a few in the high single-digit range year to year, such as NBCU and Scripps.”

Categories

- “CPG, electronics and telecom are all flat to down low single digits year to year for broadcast and cable.”

Trends

- “There were no standouts in this upfront market, but I think the shift to digital is overblown.”

3. President of national broadcast for a top 15 media agency; repeat source

A shift to digital is occurring, but questions still linger regarding what digital has to offer. The source said digital companies were requiring hefty commitments for online video inventory, so clients are not sold on moving dollars there.

Second-Quarter Spending Year to Year

- “We saw things slow down quite a bit this year, and our upfront budgets were pretty flat.”
- “Overall our television budgets are flat.”

Rates

- “We paid rates that were up single digits, but we were pretty flat in spending.”

Categories

- “The only category that we are seeing spending robustly is the insurance category.”

Trends

- “YouTube and Google have been speaking to us a lot lately, but we find they have too many rules and not enough flexibility for what our clients need.”
- “We are moving more dollars to programmatic buying.”

3) LOCAL SPOT TV/CABLE SELLERS AND BUYERS

These five sources said the first half of the year was soft, rates were flat to down slightly year to year and spending fell significantly for national advertisers. However, the back half of 2014 already is seeing political dollars pushing rates up in the low double digits year to year. Some sources believe digital will claim significantly more political dollars this year, while station managers have seen local digital properties capturing more ad dollars than in years past.

KEY SILO FINDINGS

Second-Quarter Spending Year to Year

- National spending is on a downward spiral for local spot, but local advertisers are continuing to support the medium.
- National advertisers are seeking digital units, and some stations have been able to accommodate with their own digital properties.

Rates

- Rates were flat to slightly down year to year for the 1H14, but are up 10% or higher going into 2H14.

Categories

- Automotive has moved a significant portion of spending into digital.
- Political is rumored to be adding more digital to its portfolio this fall.

Trends

- Digital is attacking local ad budgets, with some clients moving 100% of their ad dollars to suppliers like Pandora.
- Some local spot sources believe the economy is weaker than numbers reveal, which is adding to soft core advertising.

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1. General sales manager for a local station group in the Northwest; repeat source

National spending has been flat for the second half of 2014, and pacing is down 10% in the third quarter. Still, political is coming in stronger than expected, by about \$20 million more. Advertisers are shifting to digital but also are contracting budgets overall in this market. Auto clients have reduced spending the most.

Second-Quarter Spending Year to Year

- “Second-quarter national was down 6% to 7%, and local was up 2%.”
- “Second quarter was flat to up slightly versus the same period last year. Our digital revenue was up 19%.”
- “Broadcast revenue is \$44 million with digital revenue \$2 million, so there is still a big divide.”
- “We have two political spending campaigns, and neither is even \$10,000. Eighty-five percent of political spending is in local spot.”
- “We’re getting orders every day of PAC money, around \$30,000 to \$50,000 a day. We may get one order for digital a month.”
- “The overall market is flat to up or down 1%.”

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General Sales Manager
Local Station Group, Northwest

Rates

- “Buyers have asked for rates that are up 15% in the back half of this year, but we are getting 20% to 25% and higher. We are taking less of their business. We have a car dealer who we normally take 18% of their business, and we were only able to take 6%. We have another car dealer where we no longer take 20% of their business because of the rate discounts they require.”

Categories

- “Auto manufacturer money is going digital and direct mail in this market. They have a mandate to reimburse 50% of digital spending. Ford is doing it now. Our domestic auto spending is in the tank.”
- “Here’s an example of what is happening in the market right now: We have an HVAC company who just put \$50,000 to \$70,000 in digital. We got their digital business, but that is nothing over a 12-month period. One-hundred percent digital can see results and change the results in three business days. But this client used to be a massive ad spenders on direct mail, cable, spot. They spent hundreds of thousands of dollars, but now they are spending under \$10,000 a month on digital. Their click-through rate is 4% versus the 0.03% rate they were getting everywhere else. The prices are cheaper.”

We have an HVAC company who just put \$50,000 to \$70,000 in digital. ... This client used to be a massive ad spenders on direct mail, cable, spot. They spent hundreds of thousands of dollars, but now they are spending under \$10,000 a month on digital. Their click-through rate is 4% versus the 0.03% rate they were getting everywhere else. The prices are cheaper.

General Sales Manager
Local Station Group, Northwest

Trends

- “Third quarter is pacing down 10% year to year on core advertising. Political is expected to be \$63 million gross instead of the \$43 million we had projected.”
- “August and September local and national are down 5%. The market may be flat because [CW](#) [50% CBS and 50% Time Warner Inc./TWX] and Fox still take base dollars, and we will take political spending. CBS and NBC with their live sports are way ahead of news because the priority for political spending right now is football. Sports delivers.”
- “There is still softness around the middle of the country. Flat would be great for their second quarter, but I think those markets will be down 5% to 10%.”
- “Nielsen is killing us all. As far as their [OCR](#) rollout, I don’t believe anything they say. The first- and second-quarter ratings in this market are in the toilet. They are supposed to add 200 more meters. They now have 600 and will move up to 800 meters. They’ve got 50 to 75 already installed, but the numbers have gotten worse. The samples are just too small. This is why everyone is switching to [Rentrak \[Corp./RENT\]](#), but Comcast boxes are not programmed to give Rentrak past data. We will pull Nielsen and go with Rentrak as soon as this gets solved. It’s the difference in data from 2 million out of 3 million homes and 800,000 homes. Which do you think is more accurate? More and more companies are subscribing to Rentrak and Nielsen simultaneously and then comparing the data.”

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2. General sales manager for a local station group in the Midwest; repeat source

National advertising is pushing down overall spending while local advertisers are holding up revenue for this station group. Food service is way down. This GSM believes the sluggish economy is as much a factor as the secular issue of money moving to digital.

Second-Quarter Spending Year to Year

- “The second quarter started off with the national pace well behind the prior year—down low to mid-teens—but we finished ahead of the country, which was down 18%. Locally, we were pacing ahead low to mid-single digits, and we finished there.”
- “It’s a little softer than I had expected at the first of the year, but that is mostly due to national spenders.”

Rates

- “Rates are as competitive as we could be, but based on where we were in the second quarter, they were flat. Political has ramped them up 15% year to year in September and October.”

Categories

- “Auto is bouncing back off the winter; a lot of the sales numbers show that people are high on leasing.”
- “The service category is up mid-single digits, and a lot of that is new business. Retail is down low single digits year to year. What is getting us is food services is way down. I think that there is a huge economic issue coming, and people are not spending money.”
- “Telco a mixed bag: Some markets way up and some way down. Telco has big competition.”
- “Banks in some markets come out of nowhere to spend and then disappear the same way they came.”
- “I saw the [Ford memo](#): Only 10% of nondigital advertising will be reimbursed in 2015. I sat with two Ford dealers and they said that’s a mandate, but they are allocating the dollars by size of dealership \$2,500 versus \$500 a month. I’m not so sure how effective it is going to be. A big dealer said she couldn’t figure out why this small dealer kept asking her for exchanges [dealer swaps], so our account executive went in and found out the small dealer was using the \$500 ad spend, all he had, to buy the bigger dealer’s name as his keyword for search. Customers would Google the keyword, and he undercut the bigger dealer. The long term on this has yet to be played out on how effective moving to digital is really going to be.”

I really think that ... there is an underlying issue no one is addressing, which is the weak economy.

*General Sales Manager
Local Station Group, Midwest*

Trends

- “I have heard that of the total political pie, 20% to 25% of spending will go to digital with digital encompassing fundraising, targeted mobile, targeted mail branding, some display, mostly preroll mobile video. I do not believe nor do the big players in D.C. believe that all 20% to 25% is coming from TV budgets, but most likely out of direct mail, radio. Dependent on the market, if it is a house, hyper-mobile targeting may come out of TV and cable.”
- “Third-quarter pacing has local ahead low to mid-single digits and national down mid-single digits.”
- “Big data is the reason for the stampede to digital because it is trackable, targetable, but the results are still questionable. Some of my counterparts say business is in the tank. I really think that ... there is an underlying issue no one is addressing, which is the weak economy.”
- “The irony is when you watch TV you see all these ads for digital companies.”

3. Media director with a midsize buying group in the Pacific Northwest; repeat source

This source is moving spending to digital, mostly from newspaper dollars. Spot TV budgets continue to be whittled down, while the focus has been on zoned cable and Pandora. Spending was up in the low single digits during the second quarter, but the source cited a 10% increase for 2014 overall.

Second-Quarter Spending Year to Year

- “Our second-quarter spending is flat to up 5%. However, our full-year ad budgets are up 10%.”

Quarterly Advertising Report

- “We’ve moved some spending to digital but mostly from newspaper budgets. We have clients that are not high on digital, and we had some clients come in and one of their longtime TV advertisers went completely digital. Some have stayed with the stations because TV stations have their own digital inventory.”
- “We have local that will handle all the digital strategy for you. They do research and type in your name to see search.”
- “In this market, TV is really taking off; spot TV is doing well. I don’t know who is spending, an election and some initiatives, but this is beyond just political.”
- “We do a lot of cable, and our cable budgets are pretty big compared to broadcast. Spot TV for us is going down. We don’t buy prime focus in early news.”

Rates

- “[CPPs](#) have gone up dramatically. I wouldn’t doubt that political spending would move to digital because demand is strong for spot TV.”
- “CPPs are up 25% year to year. We are paying a premium for the targeting. First- and second-quarter rates were flat. We were still get low [SQAD](#), but now we are moving to more medium or high SQAD.”
- “A lot of search [SEM](#) and [SEO](#), main stuff and a few [vertical targeting] pricing is pretty flat.”

Categories

- “We are seeing weeks sold out in late third quarter, early fourth quarter. And we are also seeing a little pressure from political and other advertisers like car dealers, retail, telecom. This market was not hit so much by the economy. Spot is up high single digits, with insurance, auto, retail, telecom all spending.”

Trends

- “We buy Pandora; we found that their numbers are inflated. Whatever they showed us didn’t show up on the backend, didn’t show up on our server, and was not as high as they had said. I found that out three years ago they’d send reports, and it was a lot higher than what was on our paper. Now we plan for the discrepancy. ... Our clients’ radio budgets are up a little bit because it is cheaper to buy than TV. Pandora can get down to terrestrial. Pandora is up 10% because we have the clients that don’t do a lot of that, so it is targeted. ... Ours is 10% to 15% of radio on Pandora, about what it was last year.”
- “My reps are saying that some of their traditional advertisers ... have moved their entire TV budget and gone digital for lead generation. They need people, and it’s worked well.”

4. Media buyer for a midsized agency; repeat source

This agency continues to see flat spending and has been able to negotiate flat rates in the local broadcast market for its large entertaining and consumer electronics clients.

Second-Quarter Spending Year to Year

- “Our second-quarter spending is flat year to year.”

Rates

- “Rates are flat year to year in the second quarter, and we expect the same in the third and fourth quarters.”

Categories

- “Entertainment and consumer electronics continue to spend on local broadcast but are not increasing their budgets.”

Trends

- “We’ve been hearing that political is moving a significant portion of spending to digital in this fall’s election cycle.”

We’ve been hearing that political is moving a significant portion of spending to digital in this fall’s election cycle.

Media Buyer, Midsized Agency

5. Media buyer for local broadcast markets at a top-15 media agency; repeat source

Aside from those with early political spending, most markets were easy to buy in during the second quarter. So far, the local trends are an increase in digital spending, especially on mobile.

Second-Quarter Spending Year to Year

- “Spending is flat year to year in the second quarter.”
- “The only market we had trouble buying in was Nashville, where political came in unexpectedly heavy.”

Quarterly Advertising Report

Rates

- “Rates are flat year to year in the second quarter and are expected up 15% in the third quarter due to political, but we haven’t bought in the third quarter yet.”

Categories

- “All categories are relatively flat.”

Trends

- “Spending is expected to explode online, especially in political, in the next couple of years.”
- “Spending is increasing on mobile.”

6. Local broadcast industry expert; repeat source

Local advertisers are holding up spending for most radio stations throughout the country, while national is pulling revenue down. Spending slowed during the second quarter compared with the first quarter and is not pacing any better in the third quarter. Still, the second half of the year could benefit from political spending. The source noted a marked shift to digital video as well as to general online advertising.

Second-Quarter Spending Year to Year

- “Local is actually doing much better than overall numbers will likely show. The more a station relies on national, the worse things look for them.”
- “National advertising is very soft in the second quarter and into the third quarter. It is down more than 20% in markets like Los Angeles. Business decelerated compared with the first quarter, which winter had chilled.”

Rates

- “Pricing overall is flat year to year, with no demand to push higher, but at least it’s not collapsing.”

Categories

- “Auto is down, with bigger declines among domestic brands.”
- “Auto isn’t as bad as it was, but apparently some dealers are finding non-coop dollars to pay for radio because they think it works.”
- “Retail is soft.”
- “There have been some gains in smaller categories like cruise ships and education, but not enough to make up the gap.”

Trends

- “Dollars are shifting to online, not just online radio but online. They need the cash to fund all the new stuff. Auto dealers and regional associations are forced to shift big portions [at least 25%] of their dollars into search.”
- “I have seen a number of stations publicly cutting back on inventory loads to help combat drift to Pandora. There has been no impact on pricing yet, but it is to be determined if there will be any impact.”
- “Business is getting later, shorter flights. No one commits to radio long term because they don’t have to.”

Dollars are shifting to online, not just online radio but online. They need the cash to fund all the new stuff. Auto dealers and regional associations are forced to shift big portions [at least 25%] of their dollars into search.

Local Broadcast Industry Expert

4) NEWSPAPER EXECUTIVES

These two sources said spending was slightly lower than expected for the second quarter, but they still were able to keep rates up year to year based on packaged deals and easy comparisons with the recession’s pricing. They are relatively optimistic and are assisting their clients with local digital purchases.

KEY SILO FINDINGS

Second-Quarter Spending Year to Year

- Spending was flat to slightly up as newspapers try to “touch the elephant” in many places.

Rates

- Rates were up in the low single digits, given their really low levels during the recession.

Quarterly Advertising Report

Categories

- Retail and services continue to spend on newspaper advertising, but automotive has been weak.

Trends

- Newspaper companies are helping advertisers navigate the digital landscape by offering them keywords on their own sites or helping them to use Google AdWords.

1. Director of sales for a daily newspaper in the Southeast; repeat source

This source is more optimistic than in years past. Although mostly flat year to year, rates received a boost from packaged deals.

Second-Quarter Spending Year to Year

- "The second quarter is flat, but a special sporting event drove it up 15% year to year."
- "The first half of 2014 was hurt by crappy weather, but we had a good March and April and then a flat May. The first quarter was down 2%, but it picked up in the last 115 days, since the first of March."
- "The sporting event was projected to bring in \$400,000 and brought in \$403,000, which was like adding an additional month to the quarter."
- "Our [ROP](#) has been flat for the last couple of months, except during this big sporting event when it was up."

Rates

- "Rates are up 6% to 7% because 40% of our monthly ad sales are in packages, and we were able to take the packages and move from a low of \$355 to \$395. That was a big jump."

Categories

- "Preprint buyers have all gone to third party. Never a month goes by where they are not demanding lower rates and we don't lower them, but we are also not growing this business."
- "Retail is coming back, we've had some ROP from [a department store chain] with a four- or five-full-page ad in addition to their regular preprint schedule."

Trends

- "My barometer is the employment ads. They are the strongest I have seen since I got here seven years ago. They are small ads, but there are dozens of them."
- "We don't have a lot of national advertisers. We are seeing clients moving to digital. We helped 20 of our clients move to Google AdWords, and about 75% of them stayed with it. We sell someone an ad on our site for \$300 a month, and it is at no cost to me. The rates are low and it is hard to build any real revenue there, but it is 100% margin. Then we move them to Google and now charge them \$500; two-thirds of the money is taken by Google and the person who services that. Now I'm getting \$150 to \$175 instead of full profit."
- "Direct mail and the post office are cutting deals right now to lower the rates and compete with us. It has put a lid on our pricing. Also, there is a big push by the government to put legal notices on the web to save money."
- "We are running an employment ad right now for a social media person for a retirement home that is textbook; they need someone who knows website building, Twitter, Instagram, and that's all they will do all day. Advertising is pushing in this direction."
- "We have to be in a lot of little businesses going forward, and mobile is one of them."
- "We're seeing that the community newspaper is still a solid place to advertise but not so much in the metro papers. They will have to zone themselves more to local advertisers, down to a 20,000 circulation in one part of town."

My barometer is the employment ads. They are the strongest I have seen since I got here seven years ago. They are small ads, but there are dozens of them.

*Director of Sales
Daily Newspaper, Southeast*

2. Director of sales for a daily newspaper in the Midwest; repeat source

This source has become less optimistic compared with the last two quarters. Still, rates are flat, and the back half of 2014 could see a lift from hospital ad spending.

Quarterly Advertising Report

Second-Quarter Spending Year to Year

- “There has been bumpiness for the most part. We’re up 1.5% to 2% year to year.”
- “Most of the bumpiness has been weather-related. I hate to blame Mother Nature, but the mom-and-pops are still playing catch-up from the bad weather.”
- “We are very fortunate to have new business.”

Rates

- “Rates are flat, and we are pursuing new business at higher rates.”

Categories

- “An auto dealer is opening, so that might provide a little spending.”
- “There are no cellular ads running.”
- “Some new banks are running ads, but it’s been a yo-yo effect.”

Trends

- “We’re hoping in the second half of the year that the current ... strike, which put an end to the relocation spending for the hospital, ends. This could be a huge lift to the back half.”

5) OOH SELLERS AND BUYERS

The out-of-home market started feeling a crunch at the end of fourth quarter of 2013, saw a worsening in the first quarter and may have decline further in the second quarter, according to three of these four sources. Although rates on premium properties have held up, sellers are aggressively lowering rates on billboard and poster inventory to attract advertisers. National and local advertisers alike are shifting dollars to digital, which has pressured pricing and occupancy rates.

KEY SILO FINDINGS

Second-Quarter Spending Year to Year

- OOH spending is weaker than expected for all but 1 source.
- Advertisers large and small have shifted dollars to digital.

Rates

- Rates have held up on digital properties, but billboard and posters in non-premium areas have been used to aggressively go after new business.

Categories

- Budweiser and Diageo left a wake in the OOH market after shifting nearly 100% of their spending to digital.

Trends

- OOH remains relevant, but it must more fully enter into the digital landscape.

1. General sales manager for a large, private OOH company in the Midwest; repeat source

Sales fell in the low single digits during the first half of 2014, following a steep decline in the middle of 2013. Revenue for the second half of the year is expected to increase based on easy comps. Diageo hurt the market by moving OOH spending to digital, and local advertisers have shifted spending to digital as well.

Second-Quarter Spending Year to Year

- “Revenue in the first half of the year is down low single digits year to year, and expected to be up low single digits in the second half.”
- “For the first six months of this year, we have struggled to have any growth. We had a couple of months with year-to-year growth, but we’ve been down from first half of last year a little bit.”

Rates

- “We went through our rate cards and looked at opportunities to get more aggressive. Our occupancy is at 62% to 63%, and we would like it to be in the 70% to 75% range. ... We looked at our inventory and rates and found places to cut rates on this piece of inventory and get aggressive. Our primary parts are still very strong, still getting rates in the highly sought-after areas, and we are driving rates in a couple of parts of our market. The long-time advertisers

Quarterly Advertising Report

are continuing to do business and we are growing that, but what we are missing are the guys who used to come in and spend \$15,000 to \$20,000 a year on a campaign. We are losing them to digital.”

- “If we get \$3,000 for a bulletin on an interstate or highway, we get \$3,000 for digital times eight, but we are not at 100% sellout. Of those eight opportunities, five or six are sold. At first, it was easy to sell because it was new and shiny. Now we develop things that clients can do that they can’t do with static such as dayparting, messaging, running Twitter feeds and integrating their social media into the billboards.”

Categories

- “Regional and national business have been the big hits we’ve taken. Diageo was a huge hit for us; they were a significantly sized advertiser for us in this market, and they went away. They took everything out of this market.”
- “We don’t count on Budweiser business.”
- “Another hit has been the U.S. cellular business. They have started chipping away at that in the regional and national variety.”
- “Last year’s big hit was a local automotive dealership. Our biggest growth potential would be automotive, and the one we lost took it out of OOH. He dumped half into digital and half back into broadcast TV. That was \$100,000 loss on local.”
- “Another loss was one of our local hospitals, which had been a really large advertiser of ours. They went through a transformation; they cut jobs and ad budgets. The HR person said, ‘I need to cut either \$100,000 in our outdoor budgets or two-and-a-half employees, and I can’t stomach getting rid of any more people.’ The Affordable Care Act has affected them and what they can and can’t do. ... We picked up a small amount of business insurance companies—some short term, two to three months campaigns to get that [ACA] signup business.”
- “Locally, what happens is they see what national advertisers do and try to copy that at the local level and doing it on the cheap. ... The digital thing is the cool thing to do, so they are jumping on it. They can do it for a lot less. Anyone can set up their Facebook page and Twitter feed, which makes them think they are in the digital advertising world, but they’re not. They’ll double down on their broadcast TV buy.”

Trends

- “We are now projecting decent growth over the second half of the year last year. We expect to be up 5% to 6% year to year to end of the year.”
- “We are looking at probably \$300,000 to \$350,000 in revenue growth for the second half, gaining a little traction. But to be honest we are going up against a soft back half last year.”
- “On our Facebook page [we] used to see 100 to 150 views and now it’s 19, 27 or less. I’m the administrator; they are always asking me to pay to boost my post.”
- “We lost \$50,000 of business from one client. He took all he spent with us and is spending with Pandora because he thought it was cool.”
- “We stabilized the cannibalization and have had growth in poster occupancy. We got that better in balance. Our bulletin is where we have a lot of opportunity. ... We are more proud of them than the market is interested in. I can say this bulletin is worth \$4,000, but if the market doesn’t want to pay it, then what? The digital continues to grow. We’ve expanded and picked up some business from another part of the market. We’ve needed it. That is what has held us treading water. We went live at the end of last year so we weren’t able to take advantage of it when our troubles started, but it will certainly be what helps us grow in the back half.”

The long-time advertisers are continuing to do business and we are growing that, but what we are missing are the guys who used to come in and spend \$15,000 to \$20,000 a year on a campaign. We are losing them to digital.

*General Sales Manager
Large, Private OOH Company, Midwest*

2. General sales manager for a large, private OOH company in the Southeast; repeat source

Last quarter the market had softened more than the source had expected; he believed the shift was to digital. Now into the second quarter of the digital shift, he said he is not “freaking out” but believes the spending “hole” has deepened. National advertisers are driving the weakness and forcing his company to focus on local advertisers. Pandora is gaining local dollars in his market.

Second-Quarter Spending Year to Year

Quarterly Advertising Report

- “The quarter got a little worse, that hole got bigger. The category, where Bud and Diageo were, is nonexistent now. Any national business is gone.”
- “The second quarter was up 3% year to year, versus the 5% we had projected in the first quarter.”
- “I’m not freaking out.”

Rates

- “We actually lowered a little bit in some areas, but premium inventory we are jacking. People are not afraid to spend money; they just don’t not spend money on big, general market campaigns.”
- “We had a hospital we were able to turn around. They had cut their budget due to the Affordable Care Act. Their four pieces were bundled, but now we gave them two pieces bundled. That inventory just happened to come available, which is unusual. All around downtown there is unbelievable inventory that gets locked up.”

Categories

- “We see things loosening up in the back half of 2014. We have some QSR [quick-service restaurants] popping loose with new campaigns. Some of the secondary healthcare is talking about large deals, all ... in the last three weeks. We are feeling much better about back half of the year than I would have been three weeks ago, based on local conversations. I can’t remember the last time I had a conversation with a national advertiser.”
- “Automotive is starting to click a little more. It has been a slow burn in the right direction. There is some dealer group money floating around.”
- “The political advertising market is already started to pick up, and advertisers don’t want to be caught there because it has the potential to get ugly around here. Even though TV is not killing it, the largest CBS station here is sold out in August and September.”

Trends

- “We hear Diageo is going to digital, but if you can find [Diageo’s] Naked Turtle [rum] in the digital space, I’d like to see it. I think it just got cut. For the amount of money they were spending with us, if they are targeting with the same budget I’m not seeing it. Our national rep can’t figure out where it went, and they don’t answer the question. We’ve had some locals and hear about locals going to Pandora and to digital, but not the whole spend. A local college went to Pandora because it is a better place to target graduating students, but they still spend with us to target parents. We’ve had a couple of clients threatened to move to Pandora, but I don’t know of any who have taken all of their money and put it on Pandora.”
- “Money is flowing to digital, but I really think it is a kickback about the results, so really it’s more of a cyclical trend. ... The only really tangible results are with auto dealers because customers go online to see information, so the dealers know that money spent has an impact later. ... Ford is dedicating more of its co-op dollars to digital. They’ve come out with a 90% mandate—50/50 now, but starting in 2015 they will only reimburse 10% nondigital advertising spend.”
- “When we are engaged with a customer with mobile, it is digital billboards. We are doing great with our bulletins because we’ve adjusted pricing, and we have a lot of people selling them. My posters are what are suffering the most, but part is cyclical and part is internal.”

We are feeling much better about back half of the year than I would have been three weeks ago, based on local conversations. I can’t remember the last time I had a conversation with a national advertiser.

*General Sales Manager
Large, Private OOH Company
Southeast*

We’ve had some locals and hear about locals going to Pandora and to digital, but not the whole spend. A local college went to Pandora because it is a better place to target graduating students, but they still spend with us to target parents. We’ve had a couple of clients threatened to move to Pandora, but I don’t know of any who have taken all of their money and put it on Pandora.

*General Sales Manager
Large, Private OOH Company
Southeast*

3. Director of OOH for a top-five media company; repeat source

OOH was stagnate in the first two quarters of this year; however, the source remains optimistic that OOH will capture some of the spending that is shifting to digital.

Quarterly Advertising Report

Second-Quarter Spending Year to Year

- “Spending and rates are soft in out-of-home, but we are soft in traditional media as well. In fact, of the traditional formats, I’d say out-of-home has performed the best.”
- “Spending is down low single digits year to year.”

Rates

- “Rates are soft this year.”

Categories

- N/A

Trends

- “They all bow to the new, shiny media darlings: mobile, online and social.”
- “Of the traditional media, only out-of-home can actually morph into being more dynamic and attractive than other new formats. We’ll find solid ground; the industry just has to make some changes [into more digital and mobile].”

4. President of an independent, large OOH buying agency; repeat source

After rebounding from the recession in 2010, this firm underwent another downturn in 2012 when midyear spending fell apart. 2013 was a stabilizing year and attracted many new clients, which has allowed spending to increase in the double digits this year.

Second-Quarter Spending Year to Year

- “We’re up 20% year to year and were up 20% year to year in the first quarter as well. We are going gangbusters because we are hustling and we are lean and mean going after the independent business.”

Rates

- “Everybody is the same; no one is undercutting.”

Categories

- “Entertainment is our biggest client, and they are spending.”
- “We are seeing retail clients who haven’t spent all through the recession coming back and spending now.”

Trends

- “We are buying more digital than static inventory because clients are more accepting of it.”
- “I wish I could say that [TAB](#) was helping more, but I believe there needs to be a massive education campaign around the numbers.”
- “I’m going into many group brainstorming meetings with a lot of junior staff, and most are not thinking about TV or magazines; they are thinking about OOH and the Internet.”

Secondary Sources

These three secondary sources discussed a video that demonstrates how placing ads on online videos without much forethought can hurt a brand, digital being more cost-effective than traditional media, and an example of a classic media remaining relevant.

July 2 BuzzFeed [video](#)

Digital is trying to keep the user experience in mind when making changes, while TV is reacting desperately. This video illustrated the problem with TV Everywhere by showing a commercial that cannot be skipped, is not targeted and is in heavy rotation.

- “TV Everywhere? More like Advertising Everywhere. ‘It’s almost like the networks are trying to drive you to platforms like Netflix or Amazon Prime,’ said BTIG analyst Rich Greenfield, who posted the video as part of a research report on TV Everywhere.”
- “Greenfield says in his report that right now the TV industry is prioritizing making money over the consumer experience. He says that equation must be reversed even if it means ‘near-to-immediate terms revenue/earnings pain.’”

Quarterly Advertising Report

July 1 Media Bistro [article](#)

Studies show that recall is more effective through online video watching than through broadcast TV.

- “This week David F. Poltrack, Chief Research Officer at CBS, told Variety that digital is more profitable—at least on a per-viewer basis. Why? Channel surfing—or lack thereof.”
- “The total, per viewer, is 10-20% more ad revenue for a single streaming program as opposed to one airing live. And Poltrack expects that divide to grow larger.”
- The only reason the number isn’t already higher is that much of the highest-quality content isn’t available for streaming. Of course, viewers who stream tend to be younger and more valuable to buyers as well. Here’s your key quote: ‘... brand recall and recognition rates are higher for Internet video than TV.’”
- “Of course, CBS will never downplay the value of ads aired on live TV. The number of viewers in a recent audience survey who say they’re spending more time in front of the tube than they did the year before is 10+ points higher than the number who said they’re watching less.”

July 1 [article](#) from *The Independent*

Newspapers are having to become a lot of little businesses to remain relevant. One Sri Lankan paper integrated citronella into its ink to repel mosquitoes during the morning hours when mosquitoes carrying dengue fever are more prevalent and many people are reading the paper.

- “A newspaper in Sri Lanka has saved lives by imprinting its pages with mosquito repellent to stop the spread of deadly dengue fever.”
- “According to the Mawbima newspaper, the illness has reached ‘epidemic proportions,’ with more than 30,000 people infected in 2013.”
- “No medication is known to treat the disease and although it usually clears up itself within a fortnight, severe cases can cause shock, bleeding, organ damage and death.”
- “They discovered that mixing citronella essence, which repels mosquitos, with ink, the paper itself would stop mosquitos biting.”
- “Most people read Mawbima in the early morning and evening—the very time the *Aedes aegypti* mosquito that carries dengue bites.”

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