Research Roundtable

Communications Issues of the Eighties

FEBRUARY 20 1986

THE COMPETITION

ARBITRON RATINGS

February 17, 1985

TO: Research Roundtable Participants

FROM: Marilou Legge

On behalf of the Research Group, I would like to thank you for your interest in the Research Roundtable. For those of you who have participated in the Roundtable program before, you'll notice that we've taken many of your suggestions and incorporated them into the new seminar format and into a new, slimmer book of background materials!

This topic is at once one of the most exciting. . .and one of the most unnerving. We face a tremendous amount of competition in the marketplace. Competition comes from well-known challengers -- Nielsen, Birch, and AGB. Still other organizations compete with us for the agency and station dollars by offering alternative services, qualitative ratings or Arbitron numbers with a customized twist.

To understand our competition is to take the first step towards meeting the challenges of the marketplace. We are pleased that you will join us at Martins Crosswinds on February 20th to talk about "The Competition".

Marilou Legge

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Research Roundtable

The Competition

A G E N D A

Morning Session

Time:	Topic:	Speakers:
8:00 - 8:50	Coffee and Doughnuts	
8:50 - 9:00	Welcome	Marilou Legge
9:00 - 9:15	Overview	Ken Wollenberg
9:15 - 10:00	Competition in TV Measurement	Pete Megroz
10:00 - 10:15	Break	
10:15 - 11:00	Competition in Radio Measurement	Rhody Bosley
11:00 - 11:15	Summary	Ken Wollenberg
11:15 - 12:00	Q & A	
12:00 - 1:15	Small Group Discussion	

Afternoon Session

Time:	Topic:	Speakers:
1:15 - 1:30	Overview	Ken Wollenberg
1:30 - 2:15	Birch	Gerry Boehme
2:15 - 2:30	Break	
2:30 - 3:15	Nielsen	Malcom Potter
3:15 - 3:30	Summary	Ken Wollenberg
3:30 - 4:15	Q & A	
4:15 - 4:30	Closing	Marilou Legge

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Televison/Radio Age	"Nielsen's Tactics Compared to AGB's" David Lehmkuhl, December 23, 1985
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SPEAKERS

GERRY BOEHME

Gerry Boehme is the Vice President and Director of Research for Katz Radio. He has been in that position since 1985.

Mr. Boehme began his career at Selcom, moving to Katz in 1978. He was named the Associate Director of Research in 1980, the Director in 1985.

Mr. Boehme serves as a member of the RAB Goals Committee, as well as a member of the Radio/TV Research Council.

He earned his degree from the Newhouse School of Public Communications, Syracuse University.

RHODY A. BOSLEY

Rhody A. Bosley has been Vice President of Radio Sales and Marketing for the Arbitron Ratings Company since September 1984. He joined the company in May 1984 as Vice President, National Radio Sales.

Prior to joining Arbitron, Mr. Bosley was General Sales Manager of Metromedia's WMMR Radio in Philadelphia for four years. Earlier, he was General Manager, WITH-AM/FM, and Station Manager, WBAL-FM, both in Baltimore. His lengthy experience in radio has been in a variety of other positions, including newscaster, labor relations director and account executive.

Mr. Bosley served as Captain, US Air Force, Electronic Systems Division, from 1964 to 1968. He has a Masters Degree in Radio and Television from the University of Maryland.

Mr. Bosley has served as president of the Television, Radio and Advertising Club of Philadelphia and as Secretary of the Radio Executives of Baltimore. He has also been a visiting professor at Towson State University, Baltimore, MD.

PIERRE R. MEGROZ

Pierre R. Megroz has been Vice President of Television Sales and Marketing for the Arbitron Ratings Company since 1978.

He joined Arbitron in 1973 as Vice President of Television Station Sales. In 1976, as Vice President of Broadcast Sales and Marketing, his responsibilities were broadened to include radio station sales.

Before joining Arbitron, Mr. Megroz was a principal of The Christal Company, where he had spent 18 years in sales and marketing. While at Christal, Mr. Megroz was active in the Radio and Television Research Council. He was one of the broadcasters who initiated the founding of the RAB Goals Committee and served as its co-chairman. He is responsible for the creation of the Arbitron Television Advisory Council.

Mr. Megroz holds a degree in Economics from the Wharton School of Finance, University of Pennsylvania.

MALCOM D. POTTER

Malcom D. Potter is currently Vice President and General Manager for WBAL-TV, Baltimore, Maryland. He has held that position since 1979.

Prior to joining WBAL-TV, Mr. Potter was Program Director at WTAE-TV, Pittsburgh, WVUE-TV New Orleans and WTNH-TV New Haven. From 1964 to 1968, Mr. Potter served as Promotion Manager for WPRO-TV, Providence, RI.

Mr. Potter is very active in community affairs, serving as the Chairman of the Board of Directors, Consortium for Nursing Education (Johns Hopkins), the Chairman of the Citizen Involvement Subcommittee (Mayors Criminal Justice Coordinating Committee) and the Chairman of the Board of Directors, Business Volunteers for the Arts.

Mr. Potter is also active in the Baltimore Urban League, Baltimore Arts Foundation, Maryland Council of Profressional Artists, Advertising Club of Baltimore, and the Fund for Advancement of Maryland Education, serving on the executive committee or board of directors for these organizations. He also serves on the Board of Directors for Sinai Hospital and the Baltimore Regional Burn Center.

Mr. Potter is married and has three children. He received his degree in Sociology from Union College in Schenectady, NY.

KENNETH A. WOLLENBERG

Mr. Kenneth A. Wollenberg has been Vice President Marketing, Advertiser/Agency Sales for the Arbitron Ratings Company since 1981.

Mr. Wollenberg joined Arbitron in 1970 as Brand Marketing Assistant and later that year became Account Executive, Advertiser/Agency Sales. In 1974, he became Eastern Manager of that department. He was named Vice President, Advertiser/Agency Sales in 1977 and then Vice President, Advertiser/Agency Television sales in 1980.

Prior to joining Arbitron, Mr. Wollenberg spent two years as Media Analyst with Ted Bates and Company. He holds a BBA in Advertising from City College of New York and an MBA in Marketing from Pennsylvania State University.

NIELSEN

NIELSEN

Tv audience measurement in ferment

By Hugh Malcolm Beville

Tv audience measurement, characterized just three years ago as being in transition, has graduated to a higher level —ferment.

The breadth and depth of new developments looming on the horizon promise unparalleled revisions in how tv is evaluated in the marketplace.

Two forces have brought about the current agitation: The entry into the U.S. of Great Britain's aggressive AGB with its people meter proposals and the efforts of cable and independent tv stations to gain more equitable audience figures from diary services.

Developments on the ratings front reflect even deeper concerns: The gradual fragmentation of the network tv audience in the face of inroads from cable, videocassette recorders and more independent stations; the cry by some advertisers for commercial ratings and separate reporting for vcrs.

The growth of remote-control switches and their zapping potential has contributed to significant changes in viewer tuning practices.

Old measurement techniques are no longer as accurate as they once were.

To understand what is transpiring, the field should be examined in segments:

Advertising Age
November 21, 1985

Network tv ratings: AGB

The prime upsetter in the network measurement field is AGB Television Research, which announced its U.S. entry in October, 1983. AGB, an operator of people meter services in Europe, was introducing its equipment in the U.K. when it saw the U.S. as a ripe target. AGB initially offered a national sample of 5,000 metered households (13,000 to 18,000 individuals) at costs half those of A.C. Nielsen Co. Nielsen's weekly samples were 1,700 metered households and 865 homes for its audience composition diary panel reports. An extensive one-market (Boston) test was proposed by AGB.

This proposal aroused substantial interest among ratings users. Thirty-seven network and agency sponsors contributed $850,000 toward financing the Boston test. The AGB sponsor group served as an advisory panel during the validation tests, which began in February and will continue until Jan. 3. Daily people meter reports are available to underwriters. Because Boston also is metered by Arbitron Ratings Co. and Nielsen household meters, comparisons have been possible.

Unfortunately, evaluations by sponsors have been spotty and uncoordinated; most are still doing analyses, and few seem to have reached a definitive position on AGB. It appears that the two types of validation studies conducted have yielded results within an acceptable range to some sponsors.

AGB, asserting that the validation tests have confirmed the reliability of its people meter methodology, on Sept. 30 advanced its plans for a national service. The new service would be based on 5,000 tv households (more than 13,000 people) and would be operational in September, 1988. The AGB timetable calls for 2,000 households (about 5,000 people) to be on-line, providing audience data, by the summer of 1987. The first step in developing its national sample of 5,000 metered homes is AGB's enumeration study of 50,000 tv households, to be initiated soon.

AGB is working to win agency and network support for its plans, with upfront commitments to the proposed 2,000-home sample due in mid-1987. Thus far, AGB has made no solid pledge to adhere to its timetable; it seems to need client financial backing to proceed.

The company also went through a major management reshuffle late in October when president-ceo Norman Heck left the company. He was replaced by Stephan Buck, a director of AGB Research p.l.c. in Britain, who was named ceo, and Joseph Philport, who was named president. Industry speculation is that the British wanted closer control of operations. Mr. Heck has been retained as a consultant.

A.C. Nielsen Co.

The Nielsen Television Index for two decades was based on a national sample of 1,200 households. With the emergence of cable networks, a larger sample was needed, and the number of metered households was raised to 1,700 in 1983.

Little noticed, however, was Nielsen's failure to raise the sample size of the NTI auxiliary service, National Audience Composition. The NAC sample employs Audilogs (diaries) to develop demographic data on a sample of 865 household panel members (625 in-tab) for any week measured. In-tab stands for intabulation, which is the final number of cases used in the reports after editing.

Some subscribers long had been unhappy with NAC's inadequate sample and technology for people measurement. This was a prime reason for industry interest in AGB's people meters.

Nielsen's experimentation with people meters goes back some years, but little was heard of it until AGB's challenge. Nielsen responded with the inauguration of a small national sample test of its push-button entry. The sample reached 300 households by October, with a goal of 600 by March.

At that point a validation test by an independent group will be conducted to evaluate people meter test results. In June, Nielsen will decide whether the people meter will replace the NAC diary service from which demographic data for NTI are developed.

If so, Nielsen would replace diaries (in-tab sample 625 households) with 1,000 installed people meter households (in-tab estimated 750 households) as of September, 1986. Household tuning levels would continue to come from the current sample.

This would give Nielsen an operational people meter service almost a year ahead of AGB's proposed 2,000-household sample. In January, 1987, based on further evaluation, Nielsen will decide if it will integrate household data from its 1,000 people

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Audience

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meter sample with the 1,700 existing NTI household sample.

This would provide a 2,700-household sample vs. 2,000 for AGB. To counter AGB's proposal for a 5,000-household sample by the fall of 1988, Nielsen would reach 6,000 by that date. However, this provides an effective sample of only 4,600 people-meter households, because it includes an overweight in four markets, each with 700 people meters.

Nielsen emphasizes that an adequate test of people's willingness to push buttons to signify their presence in front of the set can be determined over time and geography. Turnover rates must be studied to evaluate fatigue and possible bias. Response rates by geographic regions and economic, social and ethnic groups must be analyzed. No single market test is adequate, Nielsen says.

Advertising Age
November 21, 1985

Reprinted with Permission

ScanAmerica

The third entry in the people-meter sweepstakes is ScanAmerica, a service backed by Arbitron and Burke Research.

AGB and Nielsen use similar push-button instruments, but ScanAmerica's system involves two unique features. A prompting message appears on the side of the screen to remind viewers to push the buttons to record individual presence, and a wand is provided to record package goods purchases by passing the wand over UPC bars as shopping bags are unpacked.

The latter feature incorporates the purchase data along with viewing data. This makes possible the long-sought "single source," media and product data from the same household.

ScanAmerica is mounting a 200-household sample test in Denver, scheduled for operation in December. The number of questions to be answered by this system go well beyond those faced by AGB and Nielsen. ScanAmerica is of great interest to advertisers, and a national service is planned.

The recent Nielsen announcement of accelerating people-meter installations, including local service to four markets by August, 1988, has caught the attention of Arbitron. A.J. Aurichio, Arbitron president, believes his organization may be forced to launch a national people-meter service to protect its position in the local market field. This could be done by initially omitting the product scanning wand feature in order to install its people meters quickly and economically. Final decisions hinge on the outcome of the Denver field test.

Running down these developments in the network field points to a tentative conclusion: Nielsen has reacted astutely to the AGB challenge and has a good chance of coming out on top two years hence, if the people meters prove reliable. Nielsen has the organization, experience, database and clients. By shifting in September from its NAC diary service to people meters for demographics, it will overcome its greatest measurement weakness. With a profitable U.S. business plus the resources of parent Dun & Bradstreet Corp., Nielsen seems well positioned to absorb expansion costs related to its announced "no increase to customers."

AGB's Boston test and validation have yielded impressive results. They do not, however, demonstrate that the system can become a satisfactory replacement for the deeply entrenched, multifaceted NTI service.

AGB faces heavy installation and startup expenses that will demand deep pockets. No users want two services. Although some agencies might be willing to switch, it will be difficult for AGB to corral its target audience in the next six months—users representing 30% of network dollar volume.

Originally, AGB's primary appeal was to supply a 5,000-household people-meter sample at less than half the cost of the existing Nielsen service. Later that was modified to the same cost as Nielsen. Now Nielsen will offer 6,000 people-meter sample households in 1988 for no increase in cost to subscribers. This removes AGB's cost advantage.

It now seems that AGB's main hope to become established as a viable Nielsen competitor is in proving that its system is superior to Nielsen's.

The field of local broadcast measurement is about equally divided between Arbitron and Nielsen. Most major stations buy both because about half of their agency prospects use each service. Both ratings companies use diaries for each household tv set that can record viewing of household members and visitors. More than 200 markets are covered by four sweeps annually. Household meter data in 12 top markets are amplified by people data from diaries.

Arbitron began a rapid expansion of metered services to many major markets in the early 1980s. Nielsen initially was caught off guard but soon began to match its competitor with meter services in each Arbitron market. Many in the industry doubted that such expensive services would receive acceptance, but most stations subscribe to both.

Now Nielsen has regained the initiative, with Denver just added and Atlanta scheduled for next fall. Arbitron is installing its ScanAmerica test installation in Denver but will not expand further until the results of that people-meter test are in. Seattle, Pittsburgh and St. Louis are considered prospects for further meter expansion.

The growth of independent stations has spurred meter service expansion. Better ratings from meters than diaries are the rule for independents, especially new and vhf stations. The Independent Television Station Assn. is among the articulate critics of diary measurement.

Even assuming people meters should cover the top 20 markets, there would be nearly 100 other markets still subject to diary measurement. Therefore, improvement in diaries or an alternative should be sought.

The Advertising Research Foundation Video/Electronic Media Council has set up a subcommittee for diary improvement to attack this issue. A number of methodological tests conducted by Arbitron and Nielsen are being analyzed to generate promising new approaches to diary improvement. Arbitron and Nielsen are co-operating. It is too early to judge how productive this approach will be. If methodology tests are to be conducted, who will conduct them? Who will finance?

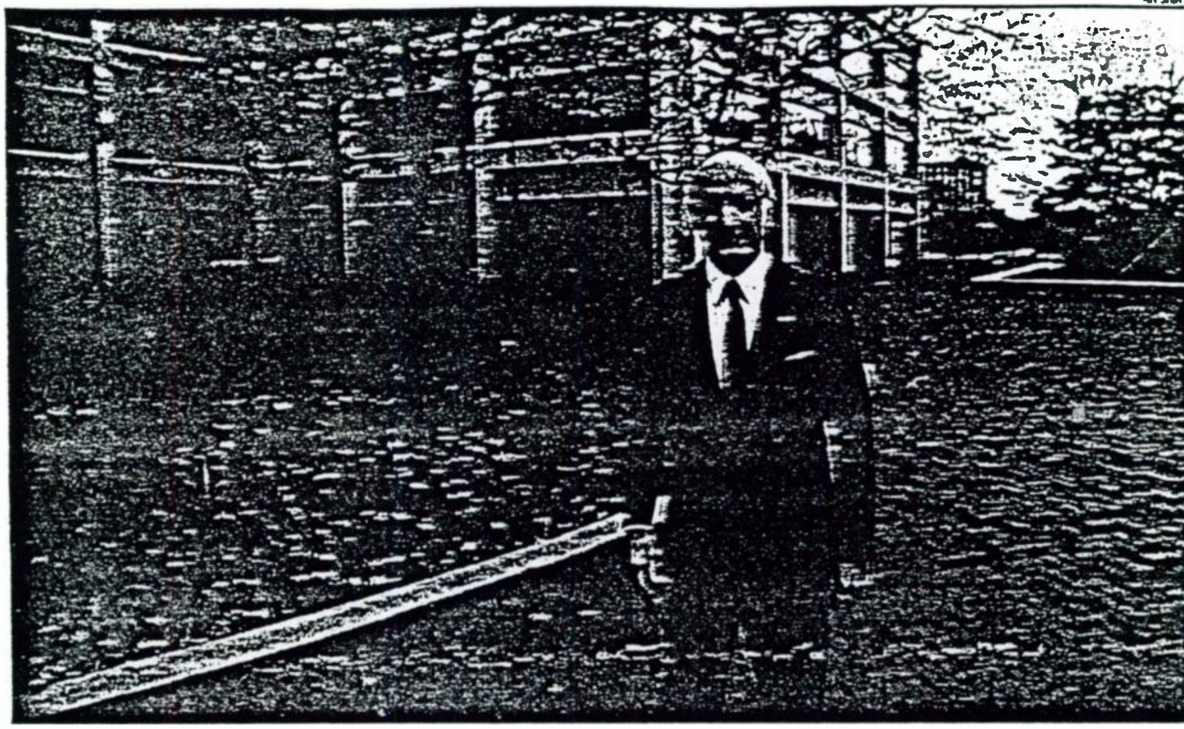
Ratings ferment afflicts both network and local tv. Nielsen's vigorous response to AGB's bold people-meter plans will continue to attract major interest at the network level. In the somewhat unlikely event that AGB comes out on top or as a viable competitor to Nielsen, it will be a whole new ratings ball game. Should AGB stumble in the coming year, Arbitron could well emerge as the Nielsen competitor in the people-meter race.

People meters seem likely to become the future measurement tool. If, as evidence indicates, they yield lower ratings than present household meters, the tv medium will be affected.

Locally, the overriding problem is how to improve household diary accuracy so this cost-efficient technique will be accepted as standard by all broadcast, cable and advertising interests.

Arthur C. Nielsen Jr.
"For years my father would try and explain that his work was worth something. He couldn't get any takers."

Art Shay



Some people hate market research, some people love it. Meet Arthur Nielsen Jr., who not only helped invent it but also figured out how to get rich at it.

Rating Nielsen

By Barry Stavro

ARTHUR NIELSEN JR. is a mild-looking man—small, bald, soft-spoken and methodical. But when he starts talking about problem-solving, the mildness turns to animation. "I was always interested in problems. That was the primary motivator, to try and solve them."

Nielsen and his father, of course, practically invented market research. The problem they had to solve was how to make money from it. The difficulty was that the labor involved in tabulating the required data was expensive.

"For years my father would go around and try and explain that his work was worth something. He'd quote the price. And he couldn't get any takers." Companies preferred the cheaper seat-of-the-pants method. Continues Nielsen: "My father was trying to sell Kellogg Co. A fellow said we don't need your service. It had its own, a freight-car index. Kellogg had a guy stationed outside the gates trying to see how many carloads General Foods shipped out." Nielsen laughs, recalling the primitiveness of it all.

When Nielsen Jr. joined the company in 1945, fresh from the Army, A.C. Nielsen Co. was only a $4 million business. Son Art had worked summers at the company, sorting through mounds of data cards and using slide rules to get answers. "We had to find some cheaper way of getting the data. I had the good fortune of seeing a machine when I was in the Army, and that damn thing cut the costs of calculations."

The machine was a forerunner of the electronic computer. Oh, sure, it was the size of a living room and designed to turn out ballistics analysis on artillery. Nielsen asked the Army scientists if this thing could be used for business. "They said this was just a scientific machine. I said, boy it multiplies and divides for you. That's easy, they said. I said, that's all we do. Our company adds stuff up and divides and multiplies." In 1952 Nielsen took delivery of one of IBM's first computers. It counted faster and cheaper than people could and helped make the business work.

Young Nielsen made a further contribution to the business. He figured out how to train people to do what his father did. "People like Elmo Roper and George Gallup were brilliant men," Nielsen goes on. "But they never got their businesses very big. They were geniuses. It was worth the price of the service to be able to talk to them. The trouble was, they didn't have a grasp of or an interest in

teaching other people how to do it. Gallup's theory of how you find out what is going to happen is to ask people. Gallup himself was so smart, so intuitive, he would look at the data and he would probably figure out some way of coming up with the right answer. But there aren't too many people who can do that. There are people, however, who can interpret trends in numbers."

With computers and a training program, the Nielsen company was now equipped to grow beyond what it could have grown to had it been solely dependent on the talents of a few people. Says Nielsen: "I felt, and my Dad did, too, why not go for the bigger markets?" Let Gallup track Democrat-versus-Republican battles every two or four years. The Nielsens would

Let Gallup track Democrat versus Republican. The Nielsens would go after Colgate versus Crest, Cheerios versus Kellogg's Corn Flakes, Coke versus Pepsi.

go after the toothpaste (Colgate versus Crest), breakfast cereals (Cheerios versus Kellogg's Corn Flakes) and soda pop (Coke versus Pepsi) wars.

That kind of thinking made a fortune for Nielsen. The company now tracks retail store sales and TV shows, runs a coupon clearinghouse and a magazine subscription service and supplies oil- and gas-well data. When the younger Nielsen became president of the company, in 1957, sales were $25 million. In 1976, when he became chairman (his father, Arthur Sr., died in 1980), sales were $232 million. Sales in 1983 were $680 million, and profits were $50 million. A couple of months ago Art Nielsen sold A. C. Nielsen Co. to Dun & Bradstreet Corp. for $1.3 billion in stock, an astounding 26 times earnings. The Nielsen family kept about $170 million of that, or 2.56 million D&B shares.

Market research is a $3.6 billion-a-year business now, but unlike more esoteric forms, such as encounter groups in which people are asked what they like, the methodical Nielsens have always preferred cold, objective numbers.

Nielsen's father, an engineer, had borrowed $45,000 and gone into business in 1923, running tests for clients who wanted to know what kind of conveyer belt to buy or which turbine generator was best. He shifted to measuring consumer sales when the Depression almost knocked him out of business. But he soon hit a problem: It wasn't enough to ask people which soap they used. For example, old Arthur was trying to figure out whether folks bought Lux, the soap of the movie stars, or Lifebuoy, which kept you from smelling bad. He found his numbers were all wrong. "The Lifebuoy users were reluctant to say they had b.o. On the other hand, it didn't cost you anything to say you bought Lux, a high-priced soap," says Art Jr.

So Nielsen Sr. finally hit it right. Don't ask, go and see for yourself. He'd pay stores to let Nielsen auditors go through the shelves and the books to count everybody's sales. Thus the concept of market share was born.

Art Nielsen likes to say that one of the essentials of market research is finding out where a product is in the long pipeline from manufacturer to consumer. In the personal computer industry that is a major problem. No one is quite sure what people are actually buying and what is actually just piling up in inventory. Nielsen's son Chris, 35, a Harvard M.B.A. and the third generation in the business, is working on that computer sales problem. He has arranged with major com-

"The Lifebuoy users were reluctant to say they had b.o. On the other hand, it didn't cost anything to say you bought Lux."

puter chains such as ComputerLand to let him send in teams of auditors to find out what people are buying.

Nielsen loves to reminisce about problem-solving. He started his coupon clearinghouse ($91 million volume a year and still growing) after visiting a corner grocery. "This was a mom-and-pop store. They lived upstairs over the store. On the dining table the lady was sorting the coupons and had them all piled up. She was mad because the big manufacturers send out the coupons and, in effect, force the retailer to advance their money." Nielsen put his computers to work on it. They can now read some coupon codes electronically.

Making the radio ratings work, when radio was big after WWII, was another big problem. The radio announcers used to ask listeners to send in cards to advertisers if they liked the show. Who was more popular, Jack Benny or Bob Hope? "They'd weigh the darn mailbags," Nielsen recalls.

At first, the Nielsens attached meters to radios in their sample households, then put in a camera that automatically photographed the meter results that the housewife, for 50 cents, mailed to Nielsen. That produced numbers two weeks old, but it wasn't fast enough for TV. Hooking the meter to a phone line later created "overnight" TV ratings, but it was expensive. Nielsen lost money on the ratings for many years. Father and son persisted, however, convinced that the TV market would grow sufficiently to make the service profitable. They were right. Today about $19 billion is spent on TV advertising. Nielsen's TV ratings—there are 5,500 metered homes—do about $100 million in business a year. The ratings, plus various surveys, tell the industry, for example, that ten times as many children watch *The A Team* as watch *Hill Street Blues*, twice as many women

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watch *Dallas* as men and that women over 55—the top watchers—watch 41 hours of TV a week.

Nielsen supposedly retired at 65, after the sale of his company, and still lives in Winnetka, Ill. But he's a workaholic, and a D&B consultant at $30,000 a month. "I can name you 20 problems yet unsolved," he says. One is finding a way to track TV commercials, knowing exactly which are shown and when on the 900 commercial TV stations. Nobody quite believes what the stations say. Nielsen says the trick is getting a sensor to recognize the commercial and getting a computer to memorize it.

When FORBES chats with him he is clutching a 5-foot trail of paper with D&B's third-quarter results—not bad, a 17% gain. "It's very hard, psychologically, to let go. That's what I'm finding. I realize I have to step aside and let the other fellows run the company. I guess I'm like an old firehorse. If you hear the gong, you come running out of the barn."

Tennis is one of his few diversions. Nielsen plays three times a week and is no hacker. He played doubles at Wimbledon about ten years ago in the 45-and-older group. Even in tennis he takes a methodical approach. He tapes tennis matches and compares the tapes with what the athletes advise in their books. "Rod Laver doesn't hit his backhand like he says he does," says Arthur Nielsen. ■

Northern metering. The BBM Bureau of Canada has awarded a contract to the A.C. Nielsen Co. of Canada for the design, installation and operation of a system of electronic people meters, starting next year.

Also bidding on the contract, in addition to Nielsen of Canada, were Audits of Great Britain, Scan Canada and Secodip of France. The system will be introduced during 1986. Peter Swain, chairman of the BBM Meter Committee, said discussions are proceeding for a network service and local meter services in Toronto, Montreal and Vancouver.

"We hope to be able to sign a formal contract early in the new year and complete installation of the first 260 meters in Toronto in the fall of 1986," Swain said. "Following a successful introduction, this technology will be expanded nationally by 1988."

Broadcasting Dec 23 1985

Nielsen expanding people meter test

If all goes well, company says 6,000 devices will be in place by 1988; it also announces integration of its national TV ratings system with various Dun & Bradstreet services accessible via personal computers

The A.C. Nielsen Co., along with its parent company, Dun & Bradstreet Corp., announced a major expansion of its people meter test in addition to a new array of rating and marketing services.

The new services will combine for the first time several of Nielsen's national television ratings systems with Dun & Bradstreet's extensive market research services to provide, in many cases, direct on-line computer access to databases that up until now were unavailable or had to be produced independently by hand ("Closed Circuit," Sept. 30).

Dun & Bradstreet acquired Nielsen in August 1984 and has since moved to consolidate the resources of the two organizations. D&B divisions that share resources with Nielsen include Donnelley Marketing, Dun & Bradstreet Credit Services, Dun's Marketing Services, D&B Computing Services, DunsNet, Zytron, Donnelley Marketing Information Services, Salesnet and DunsPlus.

By detailing some of its plans for the people meter—a device activated by a viewer's pressing of numbered buttons on a portable handset at the prompting of a monitor attached to the television set, providing overnight demographic information on viewers without the laborious hand compilation of diaries—Nielsen has signaled its growing emphasis on the meter technology. The announcement also comes at a time when competing rating services, such as Arbitron and AGB Television Research, are conducting their own people meter tests.

The first step in the expansion of the test will be validation of the service conducted by an outside group. The validation will be based on data obtained from the people meter during March 1986. If the validation proves positive, Nielsen will introduce people meters in 1,000 households. They will operate concurrently with Nielsen's 2,700-home National Audience Composition sample until Nielsen is satisfied with the meters' performance. It will then increase the number of meters and phase out the NAC sample.

The validation test is designed to determine, among other things, the reaction to the people meters, who is pushing the buttons that record a viewer's presence and, if the sample household wants to drop out of the test, why.

(The NAC sample is Nielsen's national diary-based service that provides demographic ratings for national television shows. It is published every two weeks in booklet form referred to as the "pocket piece." This is not to be confused with Nielsen's National Television Index [NTI] which is based on 1,700 households and provides a weekly estimate of strictly household ratings.)

The Nielsen people meter, which measures demographic viewing in addition to household ratings on a nightly basis, was originally tested in Tampa, Fla., in 1978. But Nielsen abandoned the project to develop better hardware. The people meter was then launched again in July 1983 with a national test of 150 households, which were increased to 300 a year later. There are now 600 people meters in place and Nielsen recently announced plans to increase the sample to 1,000 households.

After further testing and analysis, Nielsen will decide whether to expand the people meter sample from 1,000 households to 2,700 households, which will then become "the source of all television information." If the green light is given, Nielsen said it will have the 2,700 people meters installed by September 1987.

Assuming the test results continue to be favorable, Nielsen will begin installing people meters in September 1988 in New York, Los Angeles, Chicago and San Francisco, which would bring the gross people meter sample to 6,006 households with about 4,600 households estimated to be watching TV at any one time. Nielsen now has overnight meters in 10 major markets, and plans to meter Miami and Denver shortly, but these provide only household ratings information. If Nielsen installed people meters in the major markets, television stations would have overnight demographic ratings in addition to household estimates.

Nielsen said the people meter roll-out will not stop in 1988, but will continue to replace household meters in other major markets so that evenutally the gross sample will total more than 8,000 households.

William S. Hamill, executive vice president of Nielsen, said his company has received commitments from three stations in Atlanta and will begin installing overnight meters there in the fall of 1986.

Hamill also said combining the data systems of Nielsen and D&B would offer "perhaps for the first time by any research organization an integration of electronic media research and market research" that could simplify the marketing and media decisions of advertisers. Eventually, he said, the combined data bases would be available to executives via personal computers.

Along with detailing the people meter rollout, Nielsen also outlined several changes in existing services along with some new research tools for advertisers:

- ScanTrack Plus. Currently named ScanTrack Major Market Service, this service provides weekly data on scanner-recorded brands. It will now be beefed up to include data on couponing, sampling, newspaper and magazine advertising and competitive pricing and will compare network and spot television gross rating points to share of the brand's market.
- Nielsen Micro Services. At present this service provides the overnight meter ratings to local stations, networks, producers and station representatives. Beginning in November, Nielsen will add several ancillary services including Spotbuyer which will estimate local spot buys and provide post-buy analysis.
- Monitor-Plus. As announced, this service will compete with Broadcast Advertiser Report's commercial monitoring service. The service will record and document network television commercials 24 hours a day, 52 weeks a year in the top 75 markets. Nielsen said the information can be combined with audience data from its Media Research Group that will "produce a total television advertising picture." Monitor-Plus will be launched in January 1986 and cover 76 markets by early 1987, Nielsen said.
- Megabase System. This system, which is currently available for the NSI data base (local demographic ratings measured during the four annual sweep periods), will be made available for NTI beginning September 1986. The data base will allow subscribers to instantly access via their own computers a large variety of national ratings and marketing information, combine and apply a variety of Nielsen and D&B software and be immediately quoted prices on the custom requests.
- ADS. Currently in a test phase, it stands for Audience Detection by Sonar. The system passively measures the presence of people in front of a televsion set, although it cannot identify members of the household. Nielsen considers it the "first step toward totally passive people metering. Once the test is completed, Nielsen said it will be used in the people meter test. □

Broadcasting Oct 21 1985

Television/Radio Age, December 23, 1985

Media Professionals

Nielsen's tactics compared to AGB's

David C. Lehmkuhl

Senior vice president, Group media director N W Ayer/New York

David Lehmkuhl of N W Ayer says he "never expected Nielsen to roll over and die just because AGB beat them to the punch with people meters." And he concedes that Nielsen "certainly reacted with what appears to be major plans on the drawing board, and by promising a large package of possibilities."

But he adds that Nielsen "still hasn't reacted to the AGB challenge in the way we had hoped they would: by sharing with the advertisers, agencies and media who will be paying for whatever comes out of all these promises, the results of their testing of the various items promised."

The way Lehmkuhl sees it, "Company advertising managers and agencies in particular, as custodians of major advertising budgets, could and should be in a better position than we are now to make recommendations on each piece of Nielsen's promised information package. We can be kept up-to-date on their feasibility only if Nielsen changes the way it's done business for so long, keeping most of the results of its research and development to itself, and if we—the customers—have a better chance to look over Nielsen's shoulder at how these ideas test out as they go along."

Lehmkuhl compares Nielsen's tactics with "the industry's relatively short, but much closer, experience with AGB."

He points out that this British-based research service which has been conducting tests of its people meter in Boston, "had subscribers to its Boston tests serving on several advisory committees as their testing progressed. Representatives from subscriber companies and agencies were on a format committee, others were on a bench-mark committee, and others served on a validation committee."

At the suggestion and request of these subscriber committee members, he explains, AGB improved the questionnaire for its validation tests, moved up the scheduling of the final validation tests to give panelists a longer time to let the novelty of pushing their meter buttons wear off, and selected which demographic breaks to report in AGB's overnight, weekly and monthly reports.

Subscriber committee members, he adds, also selected which hours should be included in which dayparts, and redesigned AGB's reporting of reach and frequency. And they advised on the format of AGB's cable supplement, and changed the hours during which the company conducted the coincidental telephone calls for its validation tests, "all to the end that AGB could develop into a more user-friendly service for the industry."

Local Ratings...

The Arbitron and Nielsen ratings books are out for the February sweeps. In several key dayparts the two books differ substantially. As a result, there's the usual something-for-everybody buried somewhere in the numbers . . .

Channels 5 and 20, the market's independent stations, both had strong books, reflecting a national trend. Channel 9 continued to lead in the local news races but Channel 7 showed some improvement, particularly in the 6-to-7 p.m. news slot. . .

Channel 4 also showed some gains on the Arbitron book and there's talk that the NBC-owned station may sign on for that ratings service soon . . . joining WJLA, WTTG and WDCA as subscribers . . .

With the Nielsen numbers in parentheses, let's start with the Arbitron numbers for noon news . . . where Channel Nine leads with a 7 rating and a 31 percent audience share (9/31), followed by Seven at 5/22 (6/21), Four at 3/14 (4/15) and Five's "Panorama" with 3/13 (2/4) . . .

The Washington Post
March 14, 1985

Nielsen Station Index, a division of of A.C. Nielsen Co.'s media research group, has expanded its local metered service to Denver and Miami/Fort Lauderdale. The service began Oct. 31. Twelve markets are now metered, representing more than one-third of total U.S. television households. Nielsen also announced plans to meter Atlanta, scheduled to begin in October 1986.

Electronic Media *December 23, 1985*

When Arbitron & Nielsen agree, it's big news... everywhere!

KCOP...without question, the highest rated independent station from sign-on to sign-off in the City of the Angels.

KCOP 13 The Number One Independent in Los Angeles

A Chris-Craft Industries, Inc. Television Station

Source: Nov '85 Su-Sa Shares: Arbitron KCOP 12%, KTTV 10%, KTLA 10%, KHJ-TV 6%; Nielsen KCOP 11%, KTTV 10%, KTLA 10%, KHJ-TV 6%.
Quoted data are estimates only, subject to limitations available on request.

AGB

AGB

TELEVISION RATINGS: THE BRITISH ARE COMING

AGB Research plans to use a PeopleMeter to assault A.C. Nielsen's monopoly on measuring U.S. audiences nationwide.

IN THE TELEVISION ratings war, the battlefront has shifted to the raters. A.C. Nielsen Co., a Dun & Bradstreet subsidiary, is currently the only company that measures U.S. TV audiences nationwide. On the basis of its calibrations, corporations doled out $9 billion last year for network TV advertising. Nielsen lapped up an estimated $100 million in revenues from its national and local ratings services. Now AGB Research, which controls the $3-million-a-year ratings business in Britain, is trying to break Nielsen's national monopoly in the U.S. with a system it claims is more refined and less expensive. The industry supports AGB's attack: 32 companies, including the three networks and big agencies like J. Walter Thompson, have put $850,000 behind a $2.5-million test in Boston. "A little competition would help us all," says Robert Maxwell, vice president of research at Home Box Office, a pay television service owned by Time Inc., publisher of FORTUNE, and another of the test's backers.

For the past 35 years, Nielsen has monitored U.S. viewing habits by combining two measurement techniques. A meter attached to the TV sets of its sample audience—now 1,700 homes—automatically records which channel is on at all times. But it doesn't tell if anyone is watching. A separate group of 2,600 households fills out a diary that records what each family member viewed during each 15-minute period for a week. But the diary could be as much fiction as fact.

Still, the industry found the system adequate until cable came along in 1975. Today the average home has access to over ten stations, and some can tune in as many as 80. With remote control and videocassette recorders further complicating the viewing picture, diary keepers are hard pressed to keep track of every channel change.

AGB's system, called the PeopleMeter, assigns each member of the households a number on a keyboard. Viewers are expected to push their number when they begin watching and again when they finish. AGB contends people are more likely to push buttons than keep diaries, but the PeopleMeter still requires viewers' participation. "No system is perfect," concedes Norman Hecht, 46, president of AGB's U.S. operations. Over the next several months, AGB will complete studies that it hopes will show that the people who are supposed to be pushing the buttons actually are.

Nielsen is not about to undermine itself by debunking its diary system, but it is quietly testing its own people meter in 150 households nationwide. Arbitron Ratings, which doesn't measure audiences nationally but does compete with Nielsen in 210 local TV markets, is trying out a similar system in Denver. "We take real and potential threats seriously," says James Lyons, president of Nielsen's media research group. If Nielsen decides to switch to people meters, it would be "later rather than sooner," says Lyons, and subscribers would probably have to pay twice as much for ratings. Industry watchers maintain that Nielsen's profits in the ratings business are already as much as 60% of sales before taxes. AGB, which earned $11 million on revenues of $112 million last year, says it can deliver a sample audience about three times larger than Nielsen's for 20% less—and still make money. —Jaclyn Fierman

APRIL 1, 1985 FORTUNE

Young & Rubicam and BBDO have become **first subscribers to AGB** National Television Audience Measurement Service. AGB service becomes operational in 2,000 households (5,200 people) as of September 1987, and 5,000 households (13,000) as of September 1988.

Broadcasting Jan 27 1986

BIRCH

BIRCH

The Birch Challenge: Keeping Arbitron on Its Toes

As Agencies Choose Newcomer's Phone-Ratings Method, a Veteran Fights Back

By Lore Croghan

MIAMI—Fledgling radio ratings producer Birch Research Corp. is convincing more and more agencies that its single-day telephone-interview technique is worth switching to, and veteran Arbitron is beginning to feel the heat.

For the first time since its inception in 1982, Birch, the Coral Springs, Fla.-based nationwide analyst of radio markets, has commitments from top national agencies—this year it signed up Kenyon & Eckhardt and BBDO—to use its service as a primary rather than a secondary ratings source.

Critics claim Birch's telephone method is more open to interviewer bias.

And the smaller shops are signing on or renewing at a rate of 40-50 per month, said company founder and chairman Thomas C. Birch.

The increased business is due in part to the marketing strategies that president Dick Weinstein brought with him when he moved to Birch from Arbitron.

"Arbitron would never admit it, but they see a potential for real competition from Birch," said a top executive for a radio industry group.

One apparent sign of Arbitron's new respect for rival Birch was its willingness to debate Birch at a forum sponsored by the Advertising Federation of Greater Miami last month. Arbitron was represented by Ken Wollenberg, vp/marketing for advertiser/agency sales, who defended his service's seven-day diary method. Birch countered by touting his company's single-day telephone-interview technique.

Birch showed his contempt for Arbitron by refusing to refer to his competitor by name. Wollenberg returned the favor, calling Birch "Brand B."

A more important result of the competition has been Arbitron's expanded four-quarter measurements and improved customer awareness.

"Arbitron was the one man on the block and worked that way," said one New York media director. "Now Arbitron's approach to dealing with people is better."

"I've always had reservations about Arbitron. Everybody has had reservations about Arbitron, because of its basic arrogance, which has recently changed," said Jeri Feldman, media director of Miami's Gold Coast Advertising Associates.

As a result of the Birch challenge and other complaints, Arbitron has ordered an expensive redesign of its book format and has expanded its continuous, four-quarter measurement service to 75 markets from 14. Both innovations will go into effect next year.

Wollenberg denies such improvements had anything to do with Birch.

"For the more than 20 years we've been in existence, we've consistently introduced new products and services and improvements in methodology," he said.

The move to four-quarter from two-quarter measurements did not thrill the radio industry. The board of the New York-based Radio Advertising Bureau passed a resolution last month expressing "concern" over Arbitron's doubling measurements without consulting consumers, because it's going to mean increased costs for stations and agencies.

"This will increase our operational costs," said Dick Harris, president of the radio group of Westinghouse Broadcasting and Cable, "because we have to pay for promotion during the additional periods of measurement activity."

Some people have specific complaints about Arbitron's basic methodology. They question whether a representative sample of the listening population can be obtained by using a method that requires the cooperation of someone in spending time to fill out forms.

"Radio listening cannot be measured accurately with a diary," Alan Goldin, svp/media director of Kenyon & Eckhardt, said.

BBDO media director Steve Singer says Birch's methodology better fulfills the Advertising Research Foundation's criteria for a good ratings system. Birch's sample design is better than Arbitron's, he said, because it uses only one person per household.

Arbitron allows several members of the same family to fill out diaries.

Birch's recovery rate of 60% is better than Arbitron's 40%, Singer said. And Birch's data collection and validation procedures are superior, he said, since the telephone interview fixes recall at a maximum of 36 hours. Diary recall can stretch to as long as seven days, according to Singer.

However, critics claim that Birch's telephone method is more open to interviewer bias.

Singer said BBDO's agreement to use Birch as a primary source is contingent on Birch's establishment of a centralized interviewing service, which, he said, would minimize the problem. Birch's centralized interviewing center will start up soon, he said.

Advocates of the Birch system consider it merely an improvement over Arbitron, not a scientific source of ratings information.

A more precise technique would be coincidental telephone interviews that would fix what people are listening to at the time an interviewer calls, said K&E's Goldin, but "this is impractical with radio because listening is done in cars and late at night."

Thomas C. Birch: offering a primary ratings source

Birch falls short of this ideal but is "the better of the two available systems," said Gold Coast's Feldman.

"The industry wants an alternative to Arbitron. There's room for both."

Despite the growing number of media directors who share that feeling, Arbitron officials profess to be unshaken by Birch's challenge.

"In reality, Birch has had very little impact on Arbitron," said Wollenberg. "We have detected no usage decrease. We have record numbers of agency clients. And financially, we're having a good year."

But in the advertising community, there is a definite interest in the challenge Birch poses.

"The industry wants an alternative to Arbitron," according to Sheldon T. Taule, svp/media of Baltimore's VanSant Dugdale Advertising. "There is room enough for both of them." □

Weekly Business

MONDAY, OCTOBER 28, 1985

FORT LAUDERDALE NEWS/SUN-SENTINEL

Weekly Business, Monday, October 28, 1985

Local challenger giving Arbitron static

y Brian J. O'Connor
ntinel Writer

In the ongoing war of the radio airwaves, stations slug it out for high ratings and the advertising bucks they can ing in.

But lately, there's been another dio war — between the two serces that compile those ratings, d it's no less fierce than the bat- w ged by disc jockeys.

In the last 18 months, the newer d smaller of the two ratings ser- es, 6-year-old Birch Radio of ral Springs, has begun to close gap on Arbitron, the 20-year- l industry leader.

Thanks to a new marketing ategy — and three former top nagers from Arbitron — Birch ims it has wooed away Arbitron ents, added subscribers and mpted price cuts by the more- ablished firm.

'We've had some major succes- and have caused some huge blems for Arbitron," said Birch esident Tom Birch. However, an bitron spokeswoman countered t the company has changed thing that we wouldn't have e otherwise."

The importance of the market ing reports is paramount in a iness where, as one radio con- tant put it, "Your ratings are r life. You live and die by the k."

hat's because those published ings are used by advertisers, ad ncies, media buyers and consul- ts in determining how much ad- tising goes to stations, and how ch those companies are willing ay for radio spots.

hese facts prompted Birch to t a marketing program 18 ths ago that targeted ad agen- and media buyers.

is program is designed to push o stations into becoming Birch scribers by establishing his with the people who decide re advertising money is spent.

only does that strategy help h gain acceptance, but it also eases income, Birch said.

The success or failure of a rat- service is really determined the credence the advertising cies put in the service," Birch ained.

'though the 33-year-old Cornell uate's firm hasn't replaced tron as the market leader, h Radio has met with success being founded.

rch developed his system of rch as program director for l station WQAM in Miami. He ed Birch Research Inc. and irch radio subsidiary in 1978, ng WQAM in spring of 1979. r I left, we began to offer the ce in other markets and there a great demand for it," Birch led.

February of 1982, after ac- ng Media Statistics of Wash- n, D.C., Birch Radio was then d in more than 100 markets, nade news by taking the two Boston stations away from ron.

r most of the company's his- Birch Radio surveys have emented Arbitron research ts. But recently, claiming higher accuracy and lower costs than Arbitron, Birch has moved to stake out a share of the leader's territory.

At issue is the difference in methodology and claims of accuracy between the two firms. Arbitron has its selected listeners compile diaries, in which they log which radio stations they listen to at different times of the day for one week.

On the other hand, Birch researchers conduct telephone interviews with listeners, asking which stations they've listened to in previous days. Birch then compiles data on spending, family size and other demographic factors, as well as radio listening habits.

According to Birch, the results from his firm's surveys are more accurate and more useful than those provided by Arbitron.

"The diary is a dinosaur," Birch stated. "It's totally outmoded and out of step with the way that our society is moving."

Arbitron, however, claims that the diary system is more reliable. "We feel that the diary is the way to capture radio listening. We've researched it over and over and we've improved the diary," said Shelly Cagner, administrative assistant for communications at Arbitron's New York City headquarters.

"In the beginning, we used the telephone, but research has shown that the written diary is the way to go. I can't remember what I listened to yesterday at 7 in the morning," she said.

Cagner added that diaries can be used to record which stations are listened to in the car or at other locations. "It's hard to do that just by remembering," she said.

But aside from claims made by the two services, Birch's numbers show his firm closing the gap that has existed since his company was formed.

Since April, Birch estimates his company's business has picked up by 33 to 35 percent, for a total of about 1,000 radio stations and 600 to 800 ad agencies. In terms of revenue, Birch contrasts the company's 1979 sales of $250,000 against the $5.6 million he expects to conclude by the end of his fiscal year in June.

While that's an impressive gain for the young challenger, it's still a long way from Arbitron. The industry leader measures 260 markets, taking in every one in the country, for a total of 184 million listeners over 12 years old, and employs more than 2,000 workers at peak times.

Birch surveys 212 markets and employs 600 to 700 nationwide at peak times, including 90 in Coral Springs.

Arbitron lists 2,000 radio stations on its client roster, along with 3,500 ad agencies, advertisers, media buyers and networks. And, as opposed to Birch's projected seven-figure receipts, Arbitron posted revenues of $105.8 million in 1984, according to estimates in the trade magazine *Advertising Age*.

On the local front, Birch has gone from five client ad agencies in March to more than 40 after a big marketing push in the spring. "Of those, we switched 20 from Arbitron to Birch as their primary service," he noted.

The additional agency business gave Birch the leverage to increase from two local radio station subscribers to seven more stations in the Miami/Fort Lauderdale market and six more in the Palm Beach market. All but two of the stations signed long-term contracts, varying from $15,000 to $20,000 per year, Birch said.

Despite its substantial lead, changes are under way at Arbitron, which has upped the number of markets that it will measure quarterly (as opposed to semiannually or anually) from 14 to 75 next spring. Birch currently measures 86 markets on a quarterly basis.

In the last two years, Arbitron has also added "Target Aid" to its reports, which outlines lifestyles and behavior of the listening audience; Birch has included such information since his company's first sampling.

In addition, "They've already responded very vigorously by dropping prices across the board last month," Birch said. "They've begun cutting sweetheart deals with radio stations to get them to renew, and put together sales presentations targeting us, which they're giving to the agencies, attacking our methodology and execution and service," Birch said.

Arbitron's methodology was recently challenged when its diary system came under fire in September by Tulsa, Okla., radio station KELI-1430 AM. The station published newspaper ads offering money to Arbitron diary holders who would list the news/talk format station in their listening reports.

Station executives said that the two full-page ads were taken out to protest the promotions and related give-aways other radio stations employ during rating surveys to boost their listening audiences.

"For example, maybe there's a guy giving away a $100,000 house," said Alan B. Ross, president and general manager of KELI. "Is that not buying diaries? We just did it a little more straightforwardly. It just got more attention than giving away a house."

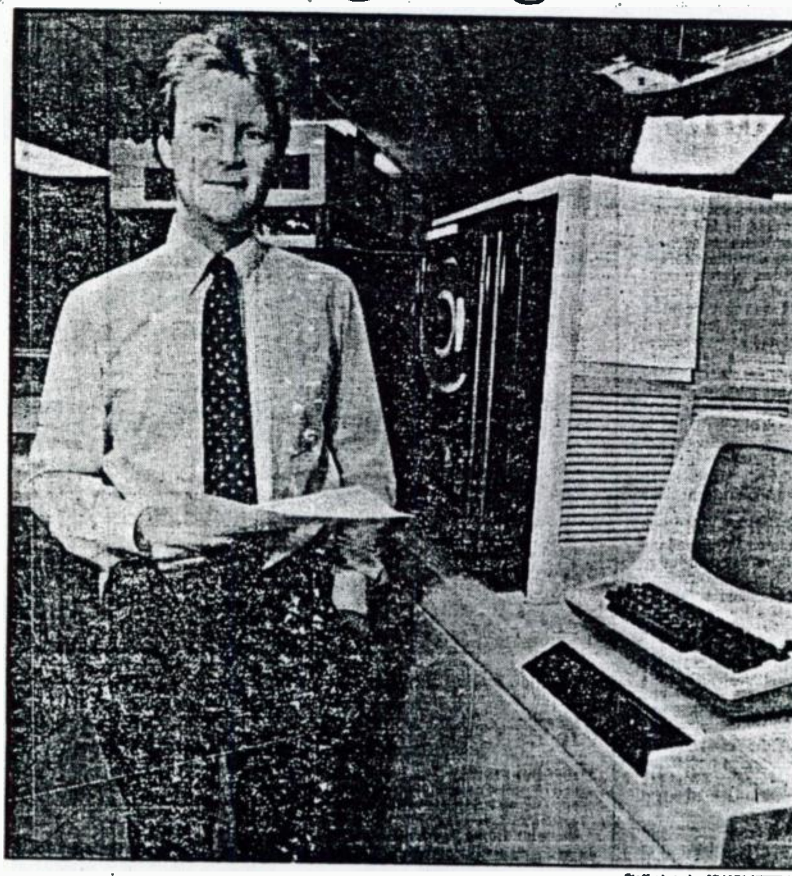
The station paid $14.30 each for 28 diaries, which were to be returned to Arbitron, Ross said.

The station — which does not subscribe to Arbitron but is a Birch client — reported that 50 to 60 broadcasters wrote in support of its action. Arbitron is pursuing a $60 million lawsuit against KELI and has threatened to remove the station from Arbitron listings along with a sister FM station.

Tom Birch is quick to deny any connection to the controversy. "We absolutely were not behind it. We were not the least bit amused by reading about it," he said, adding "it would be much harder to sabotage our study than Arbitron, because they're sending out the diaries."

Birch attributes much of his company's success to his Arbitron-minted management team. "In my mind, we have a dream team of modern management talent that is at the head of this company," he said. That "dream team" is comprised of Dick Weinstein, Bill Livek and Bill Engel, all former Arbitron vice presidents.

"We think that ultimately, we're going to be very successful in moving advertisers and agencies off of Arbitron," Birch said. "We've still go a long way to go — Arbitron is still very entrenched out there — but the momentum is on our side and working very much against Arbitron."



Staff photo by JOANN VITELLI

Tom Birch's Coral Springs-based radio market survey firm is gaining on industry leader Arbitron.

It's a fait accompli

Retiring as a research appointee on the Arbitron Radio Advisory Council after three years service, Ellen Hulleberg, executive vice president, marketing and communications, at The Interep Cos., laid it on the line in a memo to client stations about Arbitron's continuous measurement decision.

"Arbitron will not reconsider the decision" to add continuous measurement to a total of some five dozen markets, she wrote. "Birch offers continuous measurement in about 100 markets, and Arbitron believes it must do so also." At another place in the memo she underscored the point, stating that "as (Arbitron begins) to get competition from Birch, they will continue to make business decisions to secure their dominant position."

But she added: "I believe it is important for (Arbitron) to remain strong. Radio needs a rating service that is considered reliable in all aspects."

Birch signs McCann

McCann-Erickson will be using Birch Radio as its "primary" radio ratings service in the 153 local markets Birch measures "more frequently" than Arbitron but will continue with Aritron as primary service in 164 other radio markets. Laura Silton, McCann senior vice president, local broadcast, says the change will be implemented in the agency's regional buying offices in Atlanta, Boston, Detroit, Houston, Los Angeles, New Orleans, San Francisco and Seattle, as well as in New York.

She said that the combination of Arbitron and Birch will "now provide our clients with the most complete and up-to-date information available for their spot radio investments. Birch's audience and ethnic composition, cume duplication tables, qualitative information and county data will enable our buyers to be in a strong buying position."

And Lucian Chimene, director of media information services at McCann says he's pleased that the agency has the opportunity to support an alternative ratings service, "thereby establishing a competitive environment that has not previously existed."

OTHERS

Television Audience Assessment, Inc.

PROGRAM IMPACT AND PROGRAM APPEAL: QUALITATIVE RATINGS AND COMMERCIAL EFFECTIVENESS

Executive Summary

Television Audience Assessment's latest report, based on the results of a new experimental laboratory study, demonstrates that television viewers generally find commercials more memorable, likable, credible, and persuasive when placed in programs they find involving.

Traditionally, the commercial value of television programs has been determined primarily by one statistic — the estimated size of a program's audience: the higher a program's ratings, the greater its value as an advertising vehicle. However, audience research from a variety of sources has called into question some of the assumptions underlying this approach. In the buzzing environment where today's families watch television, the fact that a program or a commercial reaches the home screen is no guarantee that it actually reaches the viewers. Today's television viewers are easily distracted. They often change channels, engage in other activities, or leave the room while watching a show; people give undivided attention to only about a third of the prime-time programs they view.

For the advertising executive trying to plan an efficient media campaign, traditional television ratings based on audience size offer little help in distinguishing between programs whose audience is restless and distracted and programs which capture an attentive, involved, and loyal audience. As a result, a growing number of industry executives are considering the advantages of what has come to be known as "qualitative ratings" — ratings based on how viewers actually react and respond to the programs they watch.

Since 1980 Television Audience Assessment has engaged in an extensive research-and-development program to create and test a new system of qualitative ratings — one that is methodologically sound and commercially relevant for today's expanding television marketplace. The system that evolved from this research is based on two measures of viewers' response to programming:

- The **Program Impact Index** measures the degree of intellectual and emotional stimulation a program provides its viewers. It provides a useful estimate of how involved or distracted viewers are while watching a show and its commercials.
- The **Program Appeal Index** measures the overall entertainment value of a television program. It gauges the level of viewers' enjoyment and correlates to whether or not viewers will plan ahead to watch a program and remain loyal to it over time.

Following this developmental work, executives from the broadcast, cable, and advertising industries urged us to undertake additional research to assess the potential utility of the Program Impact and Program Appeal Indexes in predicting how viewers' involvement with a television program influences their receptivity to the commercials placed within the show.

The Study

In response, Television Audience Assessment, in conjunction with Clancy, Shulman & Associates, reviewed the relevant research literature of the past 30 years and designed a special

experimental laboratory study. The study took place in Kansas City, Missouri, and used a sample of 470 women between the ages of 18 and 49. In groups of 20, these women viewed one of four different hour-long programs in which the same eight commercials (four "test" and four "clutter" commercials) had been inserted. Half of the women viewed the program in a theater setting, where rows of seats faced a television screen; no "distractions" were available. The remaining women met in a living-room setting, where comfortable couches and chairs were arranged to facilitate easy conversation; distractions like food and magazines were available.

The study design involved pre- and post-exposure questions about both the program and the test commercials. Four standard measures were used to test commercial effectiveness: brand name recall, message recall, message credibility, and future intent to purchase advertised products. The data from this study enabled us to analyze how differences in viewers' general attentiveness and degree of program involvement influence how they perceive and respond to commercials.

The results of the study clearly indicate that **programs with high Impact and Appeal ratings are more likely to capture viewers' attention and increase their receptivity to commercials.** Television Audience Assessment's Program Impact Index proved to be particularly useful in this regard. High Impact ratings were almost always correlated with higher scores for each of the measures of commercial effectiveness tested.

Highlights of Findings

- The typical household diversions available to participants viewing in the living-room environment dramatically reduced the level of attention they gave to each television program. Given the opportunity to read, chat, eat, or move about the room, those viewers reported paying attention to an average of only 29 minutes of the hour-long program. Participants watching in the theater setting reported paying attention to an average of 52 minutes.
- In general, the Program Impact Index was more useful than the Program Appeal Index in predicting viewers' response to commercials. For example, viewers who **gave high Impact ratings to the program were more likely than those who gave low Impact ratings to remember the main point of each commercial's message.** (No comparable association was found between viewers' Program Appeal ratings and their recall of a commercial's message.)
- **Viewers rated commercials more positively** (i.e., as "excellent" or "good" rather than "poor" or "terrible") **when they appeared in programs receiving high qualitative ratings.** This relationship was independent of the amount of attention the viewer gave to the program.

- **The higher the viewers rated a program's Impact, the more likely they were to believe the product claims made in the commercials.** In the living-room setting, for example, more involved viewers — as measured by the Program Impact scores they gave to the program — found 84% of the messages believable; while less involved viewers thought 74% of those messages were believable.

- **Viewers' assessment of a program's Impact was strongly associated with their subsequent purchase preference for the advertised products.** The higher the Impact rating viewers gave to the program, the greater the change in purchase interest generated by the commercial. In the living-room setting, for example, intended brand shares for viewers giving high Impact ratings were on the average nearly 7 "market share points" greater than for viewers giving low Impact ratings. This result was particularly strong for respondents who saw a commercial for a new brand they had not yet tried.

- While the Program Appeal Index was less powerful than the Impact Index for identifying programs that provide the most effective environment for commercial advertising, the Program Appeal Index was useful in predicting people's loyalty to programs. **Viewers who gave a program a high Appeal score were more likely to make a special effort to watch the show and to watch it frequently.**

NETWORKS
PROGRAM SUPPLIERS

REED BUNZEL

RATINGS PRIMER

How RADAR Plots Network Progress

Programming on network-affiliated radio stations reaches approximately 75% of the 12+ U.S. population, delivering over 7 billion impressions each week. The average listener tunes in for 60 quarter-hours during that week, at which time the rate for exposure to network programs or commercials ranges from 7.3 to 12.9. Gross weekly impressions for individual networks vary from 127 million to 361 million.

What this all adds up to is a need to count (or somehow calculate) the number of persons tuned in to a particular network, program, or commercial. Networks need to know their audience size so they know how much to charge, while advertisers have to know how much to pay. It's the same old give-and-take ratings relationship – except network audience must be measured nationwide instead of market-by-market. The radio version of television's Nielsen ratings is known as RADAR. This week's column takes a timely look at what makes this service tick.

RADAR Basics

RADAR is an acronym for Radio's All Dimension Audience Research, and is conducted on an ongoing basis by Westfield, NJ-based Statistical Research, Inc. On the surface, RADAR simply appears to be another ratings service. But SRI maintains this is where the similarities end. Whereas Arbitron directs its quarterly measurement to listeners in local markets, RADAR computes network listenership on a national level. SRI further claims that RADAR provides virtually the only national audience estimates for network radio programs and commercials.

Superlatives and claims aside, 1985 RADAR measurements will again be based on continuous measurement throughout the United States, and drawn from simple averages computed from the last two survey periods. In the case of RADAR 30 (released this week), the numbers are computed from an averaging of the "discrete" RADAR 29 (11/83-4/84) and RADAR 30 (5/84-10/84) surveys. Likewise, RADAR 31 – to be released in August – will be an average of the surveys taken during 5/84-10/84 and 11/84-4/85.

Miriam Murphy, Sr. Account Executive at SRI, explains the basic sample size and methodology. "Radio usage is determined in telephone interviews with 8000 people from a national probability sample of all persons aged 12 and over who live in telephone households," she says. "A pure random-digit dial sampling frame is used. The rate of response among predesignated persons is over 70%. These usage data are combined with about one million station clearance records from two periods each year to produce the network audience estimates."

A Ratings Trilogy

RADAR figures are released in three separate volumes. Volume 1 provides basic radio usage estimates, outlining an average day's listening patterns and the reach/frequency of all radio stations and network affiliates over the course of a week. Additional information on AM and FM listenership, demographic breakouts for network audiences, radio vs. TV usage, and dayparting is also included.

Volume 2 reports estimates of listeners to all network commercials (both within and outside network programs), while Volume 3 supplies estimates of network audiences listening only to commercials within programs. Although ratings are important for program development and production purposes, networks are primarily interested in the size of the audience reached by their commercials. Most network commercials are scheduled within or adjacent to programs, but some stations remove the commercials and run them separately. Other stations may air the commercials but not run the program at all. Thus, the difference between Volumes 2 and 3.

Programs And Commercials

Because of the differences in station clearances for network programs and inventory, SRI must compile network clearance data that accurately reflects listenership. To compute this, stations supply affidavits to the networks, which then report this clearance information to SRI. The network indicates the number of commercials contained within each broadcast, verifying that the commercial was either 1) cleared within the program, 2) extracted from the program and carried at a specified time, or 3) not carried at all.

Accuracy for this clearance information is checked through an independent survey of sample stations and time periods – both known only to SRI. Local monitors are recruited and armed with tape recorders; these "inspectors" record programming broadcast by the designated station. The results are then tabulated and compared against clearance information from the networks. SRI claims this verification indicates [illegible]% accuracy in network clearance reporting.

Measurement Methodology

RADAR information is collected through a random-digit-dial process. SRI uses a computerized sampling system generating a random series of ten-digit telephone numbers, drawn from the 108 area codes in the continental U.S. Trained interviewers contact each of these random numbers, "prelisting" all 12+ persons in the household and putting them into certain demographic categories. Approximately 91% of all domestic contacts agree to participate in the survey.

Following the prelist stage, telephone interviewers contact each respondent (one per household) on a daily recall basis over a seven-day period. The interviewee asked if he or she listened to the radio during specific time periods; if the answer is affirmative the interviewer then asks for specific times, stations, and where the listening took place. In cases where a respondent cannot be reached every day, the recall interview will extend back to the last contact. All telephone interviews are made from SRI headquarters.

Following collection, the RADAR sample is then weighted in two stages. A specific weight is assigned to each respondent, reflecting the fact that only one 12+ person is used from each prelisted household; another weight is added to households with more than one telephone number because they have a greater probability of being contacted. Under this weighting formula, a 12+ person selected from a household with one phone and a total of three 12+ residents carries a relative weight of three. An additional telephone number in the house would cut that number in half.

Other Tabulations

Complementing the three RADAR volumes are other special reports on radio audiences, which are available through a computerized system to subscribers. These reports contain tabulations on overall radio usage, all network commercials, selected network commercials (individual advertiser schedules), rotation plans, and post-analysis schedule audiences. Over 500,000 variations on these tabulations can be generated for additional study.

This column was prepared with considerable input and assistance from Statistical Research, Inc. For further information, contact the firm at (201) 654-4808.

RADAR & ARB: Apples & Oranges?

Methodology is a prime concern in the research world. In the world of radio ratings, the methodology of various research companies is often called into question. Even though SRI conducts its RADAR survey on a national basis and only studies network listeners, and Arbitron conducts its surveys on a local level, many critics try to compare these "apples and oranges" measurements.

RADAR and Arbitron measure and report different data and technically are incomparable. The following "comparagraph" defines some of the differences between them.

Audience Measured

- RADAR: National measurement of network program and commercial audiences.
- ARB: Local measurement of station audiences.

Sample

- RADAR: National pure random-digit dial providing coverage of all telephone households.
- ARB: Mixed sampling, primarily based on mailed diaries to listeners culled from telephone directories with some unlisted telephone supplements.

Field Methodology

- RADAR: Daily telephone recall with up to nine contacts within a one-week period; only one person per household is questioned.
- ARB: A one-week mailed diary provided to all 12+ persons in surveyed household.

THE LUND LETTER

A Digest of Ideas and Information for Broadcast Management

Now there's a new standard for measuring station success. Soon to be published by Jim Duncan, editor of American Radio, is a study analyzing all Arbitron rated markets to show the relationship between the format, the market share and the gross revenue share. The research shows that some formats average better returns than others when the entire country is taken into account. Country stations tend to gross at just about 100% of their audience share--in other words, their income compared to other stations is about equal to their share of the market. Adult Contemporary stations average better--their income runs at about 120% of their actual audience. Beautiful Music sells at about 70% to 75% of their market share. Overall, the stations which reap slightly better financial returns than the share would indicate include Classical, A/C, MOR, CHR, and News/Talk. Those which bill below their share include AOR, Black/Urban, Spanish, and as shown above, Beautiful Music. One conclusion of the study is that Beautiful Music salespeople have to be superior performers to accomplish the same as a second-best A/C sales staff. A word of caution: Not all markets are alike--just because a station has a format that improves their odds according to national averages, it's no guarantee that the income will be rolling in without effort! (Also, there are big swings between stations with similar formats, but different market positions.)

JHAN HIBER

The NAB Ratings Taskforce: An Update

Ratings are the lifeblood of many radio stations. When the numbers are good the champagne flows and the bottom line can be a beautiful shade of black. When the ratings are poor, however, there is tension, pressure, and perhaps more red than seen by anyone since Moses.

Given the importance of these crazy numbers it is only natural that the National Association of Broadcasters recently set up the Radio Audience Measurement Task Force. Many questions have been asked about this body: Why was it created? What is its mission? In what kind of time frame can we expect results? Another basic question is whether this NAB group will help or hurt the users of radio ratings – the stations.

To get a factual update on the task force I recently spoke with John Abel, Senior VP/Research Planning at NAB. He is the key NAB staffer charged with liaison with the ratings task force.

How It Got Started

R&R: *What was the genesis of this ratings task force?*

JA: At the November 1984 meeting of the NAB's Medium Market Radio Committee there was a lot of discussion about audience research services. The two main concerns were the quality of the service provided to radio broadcasters and the cost of that service. Ken McDonald, Chairman of the Medium Market Committee, and now chair of the Audience Measurement Task Force, charged the NAB staff to do something about this.

R&R: *Was the quality of the services now available the key concern, or was there more grumbling about the current cost of ratings research?*

JA: I don't know that either was more important. However, there was concern with those who use the research but pay little for it – such as ad agencies.

R&R: *Was there a sense that recent price increases were finally too much to bear?*

JA: There was a feeling that ratings costs were increasing far in excess of the inflation rate, and should be looked at by NAB in terms of their impact on the total radio industry.

The Status Now

R&R: *So where do things stand now in terms of the committee's organization and progress?*

JA: At the January NAB board meeting a resolution was passed that the NAB should investigate the possibility of starting a non-profit entity that would collect audience information. The resolution passed unanimously, the committee members were named in April, and there have been two meetings since that time.

R&R: *What's been done to date?*

JA: The first meeting focused a lot of attention on the legal ramifications of NAB's involvement in this kind of activity. We want to know NAB's options.

R&R: *Besides starting another audience measurement firm, what else could the NAB do?*

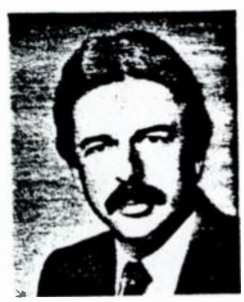
JA: Perhaps we could provide information about the audience measurement business to other entrepreneurs, which might encourage other firms to get into the business. This way we might be pro-competitive, encouraging others to get into this ratings market.

R&R: *What specifically has been discussed that might enhance such competition?*

JA: The key item is to look at the economic impact ratings has on radio broadcasters. To delve into this we're going to do two studies, one of which will help us get a feel for how much is spent in the U.S. by radio stations on syndicated audience research.

R&R: *What else are you looking at to understand the economics question?*

JA: The second study will look at how much money is being spent on syndicated ratings services within individual markets. The magnitude of dollars involved might lead to information that would entice new competitors to come into the business.



John Abel

An NAB Ratings Service?

R&R: *After hearing of the formation of this task force lots of folks have been wondering about the likelihood of an NAB-run ratings service. Based on the activity to date is this a possible result?*

JA: There is a very low probability of that occurring. We just don't have – or could get our hands on – the capital necessary to create such an entity and become a viable service.

R&R: *Then aside from trying to compile the revenue information mentioned earlier, what else do you think can realistically come out of this effort?*

JA: We can educate the industry on how to use audience research, and perhaps on how to do their own research. We might even be able to suggest to existing firms other kinds of useful research. For example, as the industry becomes more segmented there becomes more of a need for qualitative information. Data on lifestyle characteristics, what people own or want, or maybe information on different demographics could be useful.

R&R: *Could the committee possibly recommend new methodologies to be used to survey radio listening habits?*

JA: That is entirely possible. One more thing the task force has agreed to do is form a technical subcommittee of station and group researchers. These people would review current firms, then listen to other – perhaps wild – ideas about how to better serve the radio industry. The subcommittee would then draw up recommendations about what they see as the major issues: whether the existing services can be improved, or if there are other, more outstanding, ways of collecting ratings data.

R&R: *What sort of timetable do you foresee for the task force's review and recommendation process?*

JA: It's almost a year away. They got approval at the June board meeting for a one year extension, so they are in existence until June 30, 1986. It will probably be next May or June until they have any kind of final report ready.

Will It Help Or Hurt?

R&R: *While nobody will go on the record about this, it's obvious that the major ratings firm – and cost factor – is Arbitron. Yet other efforts have tried to tackle Arbitron and failed. Is it possible for NAB's recommendations to have any impact?*

JA: It's really a matter of NAB keeping the pressure on the existing ratings services. If we can monitor the current firms and perhaps get new competitors into the field, then it will have been worthwhile. Maybe we can even get advertisers interested in assuming more of the costs in radio ratings research. The main mission, however, is to keep the current firms' feet to the fire. We have to let these companies know that broadcasters are concerned about the cost, the quality, and the turnaround time of radio listening estimates.

R&R: *Tom Birch feels radio has a good alternative research technique and that to encourage more ratings services could fragment the field leaving the big guy – Arbitron – in an even more dominant position. Do you fear that by stimulating competition and getting new entrants you may actually help Arbitron and hurt Birch?*

JA: Well, we're not out to get anybody or make it difficult for anybody. We want to maintain the accuracy and integrity of the ratings services we already have, improve on that record, and perhaps encourage competition.

R&R: *Could too much competition be bad for the industry by giving us too many choices, and also keep research costs high because stations have to subscribe to three or four firms?*

JA: I don't think so. We represent radio broadcasters, and we are trying to deal with the issue from the radio side. The attention of this task force will enhance the quality of what we get while examining the costs and revenues involved.

My Perspective

The good news here is that the industry has a group that will put some pressure on the two main ratings services. Perhaps this will result in some improvement in methodology, and maybe some dramatic new techniques will surface, which we'll report on in the months ahead. However, I don't foresee that the NAB will get into the audience measurement business, but Birch's recent success at the agency level may help keep Arbitron on track.

Next week we'll begin to analyze the spring numbers for a major format.

WEEK IN REVIEW

ARAC Meeting Near

Another meeting between the Arbitron Radio Advisory Council and Arbitron execs will take place in California next week. According to ARAC Chairman Larry Wexler, the key topics will include finalizing the proposed redesign of the market reports. "35+ is in as a new demo, while 12-34 didn't make it," according to Wexler. He added, "It seems likely we'll pass a resolution allowing for new criteria for changing metro definitions."

Birch Signs N.W Ayer

Bill Livek, Sales/Marketing VP for Birch Radio, has announced his firm has signed a longterm agreement with the eighth largest ad agency, N.W. Ayer. "While Birch will not be the primary planning/buying tool yet, the agency will use it in evaluating client plans/schedules." Ayer's main radio account is the U.S. Army.

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Perception -
NSI stronger in technology/research - AB prices -
Prices based on undercutting

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