

Independent Task Force on
Television Measurement
Select Committee Report

*Presented to the Media Rating Council
October, 2005*

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I. INTRODUCTION

In July 2004, the Independent Task Force on Television Measurement undertook a review of Nielsen Media Research's measurement of African-American, Hispanic/Latino and Asian-American television viewing patterns. In March 2005, the Task Force released its report.¹

During that review, it became clear that the Media Rating Council (MRC) plays a critical role in determining accuracy in television audience measurement and, consequently, how television viewing by people of color is measured. We found that many of the major Task Force recommendations (i.e., persons-level weighting, person-level incentives, revised edit rules, etc.) come under the purview of, and were initially discussed with, the MRC.

Since the MRC advises on methodological and technical changes affecting television audience measurement – several of which have a significant impact on minority programmers, advertisers and audiences – the Independent Task Force on Television Measurement has continued to study the role of the MRC in the context of minority audience measurement.

During the past four decades, the television industry has been transformed as a result of unprecedented consolidation, proliferation of cable and satellite channels and the growing influence of competing media, such as the Internet and video games. At the same time, the television audience has become increasingly more diverse. Given the challenges presented by this dramatically altered landscape, the MRC has done its best to keep up with the rapid pace of change.

However, recent legislation introduced in both the Senate and the House of Representatives would seriously alter the MRC's responsibility.

The current Senate bill, S. 1372, known as the "FAIR Ratings Act," and House Bill H.R. 3298, entitled "Television Viewer Consumer Protection Act of 2005," seek to regulate television ratings by giving the MRC ultimate authority, through its accreditation process, in determining which audience measurement services can be used by the television industry.

As a result, former Congresswoman Cardiss Collins, Chair of the Independent Task Force on Television Measurement, a group of 19 business, community and television industry leaders, formed the Select Committee of the Task Force to undertake a more complete examination of the role and operations of the MRC, and to consider the impact on minority audience measurement.

¹ Independent Task Force on Television Measurement Report, March 2005 (available at <http://everyonecounts.tv/news/documents/taskforcereport.pdf>)

II. SELECT COMMITTEE OF THE INDEPENDENT TASK FORCE ON TELEVISION MEASUREMENT

Mission

To assess the impact of the MRC with regard to minority audience measurement.

Membership²

Congresswoman Cardiss Collins (D-Ret.), Chair

Suzanna Valdez, Executive Director

Brad Kane, *Kane & Associates Consulting*

Scott McDonald, SVP, Research, *Condé Nast Publishing*

Manny Mirabal, President, *National Puerto-Rican Coalition*

Karen Watson, Former VP, Government Relations, *EchoStar Satellite L.L.C.*

Don Williams, EVP, *Eonstreams, Inc.*

Methodology

As part of their review of the Media Rating Council, committee members spoke with representatives from the broadcast and cable television industries, as well as advertisers and their agencies that focus on African-American, Hispanic/Latino and Asian-American populations. After careful research, the Task Force determined that the MRC can better enhance minority audience measurements by undertaking a number of organizational and procedural reforms.

The findings and recommendations in this report are put forth by the Select Committee on behalf of the entire membership of the Independent Task Force on Television Measurement.

III. MEDIA RATING COUNCIL

Background

The Media Rating Council is a non-profit organization that reviews and accredits audience rating services. The measurement services are not members of the MRC, and they participate on a voluntary basis. All information provided by the ratings services to the MRC is confidential.

The MRC's mission is "to secure for the media industry and related users audience measurement services that are valid, reliable and effective; to evolve and determine minimum disclosure and ethical criteria for media audience measurement services; and to provide and administer an audit system designed to inform users as to whether such audience measurements are conducted in conformance with the criteria and procedures developed."³

² Select Committee member biographies can be found at: <http://everyonecounts.tv/news/documents/taskforcereport.pdf>

³ Written Testimony of George Ivie before the Subcommittee on Communications, Committee on Commerce, Science and Transportation, U.S. Senate, July 15, 2004.

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Measurement companies desiring MRC accreditation must meet several criteria, including disclosing to their customers all methodological aspects of their services; complying with the MRC's *Minimum*

Standards For Media Rating Research; and submitting to and paying for MRC-designed audits to authenticate and illuminate their procedures.

An independent CPA firm, currently Ernst & Young LLP, is selected by the MRC to conduct the audits under its guidance.

Nielsen Media Research seeks accreditation from the MRC for its measurement services, such as its People Meter technology, as do a number of other media measurement firms in the fields of radio, print, television, Internet and multi-media.⁴

Membership, Organization and Structure

The MRC staff is comprised of three full-time employees – an Executive Director, an Associate Director, and an administrative assistant – along with a part-time consultant.

The Board of Directors is comprised of the entire membership of the MRC. Members hold 93 seats, representing organizations from television and radio broadcasting, cable, print, Internet and advertising, as well as trade associations. Membership on the MRC board is voluntary and all members of the MRC pay an annual fee of \$10,500.

Members can serve on any of the following MRC committees: Television, Radio, Print, Internet and Out-of-Home. The Executive Committee includes the Chairs of the five media committees, the Board Chair, the ex-officio Board Chair and the Executive Director.

Each member of the MRC has one vote. However, a number of media companies possess multiple votes because they own subsidiaries that operate in various aspects of the industry. For example, NBC/GE held five votes in 2004, representing Network, Station Group, MSNBC, NBC Universal and Telemundo. Last year, Viacom/CBS, GE/NBC and Univision also held five votes each on the MRC; ABC held four votes and NewsCorp/Fox held 2 votes. Of the 92 votes in 2004, 21 were held by four media companies compared to a total of 8 held by advertising agencies.

Accreditation Process

When a rating service voluntarily applies for MRC accreditation, the Council's first step is to conduct an audit of the service, which is presently carried out by Ernst & Young (E&Y) under contract to the MRC. The audit firm provides an independent, detailed and objective examination of the ratings service to the MRC staff and members of the appropriate committee, who review the results. The staff then makes recommendations to the Audit Committee of the appropriate media committee, which meets separately with E&Y to review the audit reports and make its own recommendations.

⁴ Additional information about the MRC can be found at: Independent Task Force on Television Measurement Report, March 2005 (available at <http://everyonecounts.tv/news/documents/taskforcereport.pdf>).

At this point, if the staff and Audit Committee agree, the recommendations are taken to the Board of Directors, which determines whether or not to grant accreditation. If the staff and committee are not in agreement, the staff can call a Board meeting to discuss the situation. The staff and committee also can agree not to grant accreditation, without having to consult with the Board.

IV. SELECT COMMITTEE FINDINGS

The MRC plays an important role in the television industry through its accreditation of measurement services. Industry stakeholders, such as advertisers and ad agencies, broadcasters, cable operators, producers, syndicators and numerous others, depend on accurate television ratings to make important business decisions. Thus, as the industry and its audiences become increasingly more diverse, it is advisable that the MRC operates in a way that fairly serves the needs of all interested parties, especially viewers of color.

In its review of the MRC, the Select Committee focused on how the Council could improve on its mission to secure valid, reliable and effective ratings services, particularly in the area of minority audience measurements.

Aspects of the MRC process that the Select Committee believes can help ensure this outcome include:

- **Balance of Membership Influence**

The MRC was created with the intent of having a balance between the buyers and sellers of commercial air time, and that such a balance would benefit all stakeholders. At present, however, membership is weighted in favor of large media entities, sometimes at the expense of smaller niche and minority members.

- **More Representative Processes**

Members of the MRC are comprised entirely of the buyers and sellers of television air time. Thus, many in the media industry with whom we spoke expressed the view that the membership, voting and auditing processes do not adequately represent or serve the interests of public stakeholders, specifically audiences of color.

- **Ongoing Innovation**

When the MRC was created in the 1960s, the industry consisted of just three major television networks. The subsequent proliferation of new media, combined with the diversification of the viewing population has created new challenges for the MRC that have a considerable impact on innovation in audience measurement.

- **Awareness of the MRC**

Based on our discussions with representatives of the media industry, we believe there is a significant lack of knowledge about the MRC. Some with whom we spoke had heard of the Council but did not understand its function.

V. SELECT COMMITTEE RECOMMENDATIONS

The Select Committee recommends that the MRC implement the following enhancements to ensure that the Council operate more fairly and effectively in ways that will improve minority audience measurement.

1. **Balance Industry Representation**

The MRC was originally created with the intention of maintaining a system of checks and balances that would address the natural tension between the buyers and sellers of television airtime. At that time, there was closer parity between agency/advertiser seats and broadcaster seats on the MRC. However, as agencies have consolidated, they have tended to keep only one seat each on the MRC. Thus, the outcome of an accreditation vote is more significantly influenced by media companies.

An increased number of advertisers, ad agencies and organizations that represent advertisers would help address this issue by allowing for a more balanced representation.

As one MRC member noted: “I’m confident that as long as the voice of the advertiser is heard at the MRC, that the measurement of minority audiences, the methodology that goes behind all of that ... things like response rates... fault rates... is going to be critically important. I think if the advertisers are involved then the broadcasters and the research companies and the agencies have no other recourse than to listen.”⁵

The Select Committee recommends that the MRC seek to expand advertiser representation and continuously maintain parity between buyers and sellers.

2. **Garner Public Representation and Participation on the MRC**

Even after achieving an effective balance of representation within the MRC among all industry members, there is still a need to accommodate public stakeholders who do not have a voice on the Council, but who are directly affected by MRC decisions. While consumers have no monetary gain in the bargaining between buyers and sellers of television time, they do have a very real stake in seeing programming and advertising that accurately reflects the racial and economic diversity of the nation.

The Select Committee recommends that the MRC create a number of non-voting seats on the Board of Directors for consumer organizations and other representatives who advocate on behalf of the public’s interest in the media.

3. **Make MRC Membership More Affordable**

Membership in the MRC costs \$10,500 for per year. In speaking to members of the television industry, several smaller, minority/ethnic companies expressed concern about

⁵ Interview conducted by Select Committee – August 2005

having to pay that level of dues to become a member of the MRC. For example, a local television representative who was generally unaware of the MRC said, “I think it would be nice to know about it [the MRC] and it would be very good if we [smaller minority stations] had the option to join at the [sic] reduced kind of rate for small stations.”⁶

In the spirit of equality of membership, the Select Committee recommends that the MRC implement a sliding scale for membership dues. This would help prevent the cost of membership from being a barrier to entry for smaller companies who would like to participate but do not currently have the budgetary means.

4. Establish Accountability Through Recorded Votes

It is our understanding that, historically, the MRC conducted voting by a show of hands or a voice vote visible to all participants. We have heard, however, from some MRC members that the practice has more recently shifted to a system of closed balloting, seen only by the staff.

As a leading media researcher told the Select Committee:

“I feel we have come to a point of closure where we are in favor of a particular motion and we go through and we vote on that ... it’s alarming to me some days how one-sided certain things can come out as opposed to what the actual dialogue throughout the course of the room was.

“For example, we may go through a conversation and we’ll say this is a very good service. Everything looks good on being approved on this. They came back and gave us a quite a bit on this....So this service looks pretty healthy...Looks great. And then we’ll get a vote that says the service has been denied accreditation.”⁷

Another network researcher commenting on MRC voting procedures said: “I believe this has become such a volatile issue that people are no longer voting what they believe to be right as researchers, they’re voting what is going to serve their companies best.”⁸

This secretive ballot system inhibits accountability and raises concerns about the degree to which members are voting their economic interests, as opposed to voting on an empirical methodological research basis, which we believe would better serve all interested parties. If large media companies have undue influence over the voting of smaller companies they own, we are concerned that the status quo will always prevail at the expense of innovation.

While the Select Committee is sensitive to the need for confidentiality as it relates to proprietary information of ratings analysis, we believe all MRC members would be better served if it were to establish open and recorded voting.

⁶ Interview conducted by Select Committee – August 2005

⁷ Interview conducted by Select Committee – September 2005

⁸ Interview conducted by Select Committee – September 2005

VI. CONCLUSION

When the Broadcast Rating Council was created four decades ago, the landscape of the television and advertising industries, as well as the American population, were much different than they are today. The current climate is characterized by an increasingly diverse population, a proliferation of broadcast and cable channels and other new media, and multi-faceted and specialized advertising outlets.

The Select Committee believes that the implementation of the recommendations that we have set forth are critical to accommodate the changes in the industry and, most important, changes in the demographic composition of the American public.

We also believe this can be accomplished through the continuation and expansion of a voluntary, collaborative, and cooperative framework that fairly represents the interests of all of the MRC's members and other stakeholders.

The MRC must be able to operate effectively in a free and open marketplace as a forum where fair and balanced proceedings can serve the best interests of all parties, particularly audiences of color.