

Radio Business Reporttm

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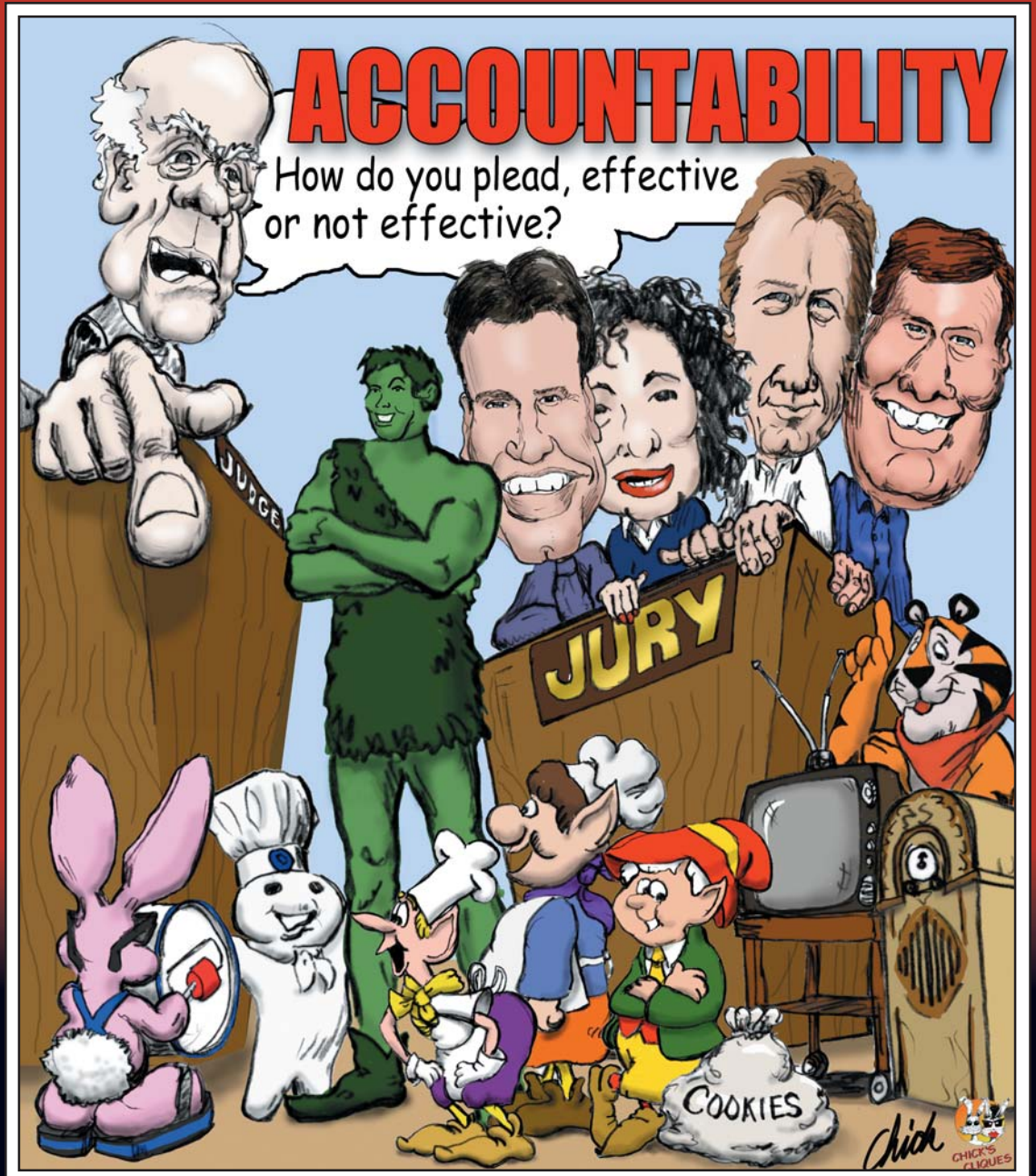
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POINT A

mar-ket-ing (mār'ki'ting), *n.* 1. getting the message from point a to point b.

POINT B

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Accountability 2004 The History of Radio Ratings

You can't change the radio ratings game if you don't know the history.

Will the young CEO's and others today ever learn about radio ratings?

Stop, write your age down and subtract 29. What was your age in 1975? Me, I was 26 years old. It is all about history and learning before you think you can change the radio ratings game. Why, because I was there, a part of it, and saw the possibilities. Learn from history and apply from those that have done and still are doing.

Like a commercial for an old established product you see on the front of the box: NEW and IMPROVED. Cumulus out to cut ratings costs - Eastlan is conducting audience ratings surveys in two top 100 markets for a head-to-head comparison with Arbitron at the behest of Cumulus Media. But Cumulus CEO **Lew Dickey** tells RBR that using Eastlan is not the only option the company is exploring to cut the bill it pays Arbitron. **RBR observation:** The proof is in the ratings pudding. 01/08/04 RBR #8 Daily Epaper

And then there were three: New entrant into the ratings wars - Bridge Ratings has joined Arbitron and Eastlan in the ranks of radio ratings providers. The brand new company, founded by **Dave Van Dyke**, is open for business, targeting markets ranked #50 and smaller. It's already operating in one of them. 01/06/04 RBR #2

In 1975, **Jim Seiler**, at that time head of Media Statistics, Inc., a Silver Spring, MD-based audience research firm, saw an opening for a monthly ratings service in major markets. His idea was not to try to replace Arbitron but rather to supplement it. At that time, there were no "Arbitrends" - sample sizes were too small for that and most markets were surveyed by Arbitron only once or twice a year. He figured that a service that "predicted" the Arbitron might find enough support to make a profit.

In 1949, the year I was born, Seiler knew all about Arbitron. After all, he'd founded it in '49 in the basement of his Washington, DC home, to measure fledgling TV audiences. In fact, all the time he ran the then American Research Bureau (ARB), it was a TV-only service. A disastrous plunge into "instantaneous" TV ratings (ironically called "Arbitron") forced Seiler and his partners to sell ARB, ultimately to Control Data Corporation, which was looking for firms that logically would use its computers. After their 3-year non-compete ran out in 1964, Seiler and his partner, **John Landreth**, started Media Statistics (Mediastat) as a multi-media research service. One of their early products was a diary-based survey of radio listener, TV viewer and newspaper and magazine readership behavior. That product, like Arbitron was too far ahead of its time to be profitable.

So Mediastat devoted itself to measuring radio audiences and quickly became a leader in the field. Its competitors were: Nielsen (yes, the now-TV-ratings giant Nielsen), which used meters attached to radios, augmented by personal diaries; Hooper, which called people randomly and asked whether their radio was on at that moment, and if so, to what station (telephone coincidental technique); and The Pulse, which used in-home, personal interviews.

Each of the services had at least one major flaw. Nielsen's was that radio had become a personal medium, so the meter attached to the "family" radio was out of date. Hooper's was that it only measured listening at a given point in time (the time of the phone call), so it couldn't really reflect radio usage on a day-in/day-out basis. And The Pulse had a difficult time getting its interviewers into peoples' homes, so as time went by, their ratings looked less and less reliable.

Mediastat used a personal diary, up to six within a household. It was nothing startlingly new, but was a very sound methodology for the time. So successful that when Arbitron decided to enter the radio ratings field in 1968, they simply purchased Mediastat's radio measurement product line. All of sudden, Seiler and Landreth had some resources at hand, another non-compete (although less restrictive than their previous agreement with ARB) and a need to find new fields of endeavor.

They settled on measuring radio audiences in small, non-rated markets—places such as Presque Isle, Maine and Paducah, KY. They couldn't use a diary methodology, so they determined their best bet was a "24-hour telephone recall" system. Simply put, interviewers would call randomly selected households each week-day evening, ask for (in turn) a male or female 12 or older, and then ask the respondent about his or her listening between 6 am and 7 pm that day and 7 pm and Midnight the previous day. Again, for the time, it was a very good methodology - much less expensive than the diary-based system, but providing reliable audience estimates.

Then Seiler proposed his monthly service, called "Mediatrend". The sample base would be 500 respondents in most markets (1,000 in New York, LA, Chicago and later, Miami), with surveying taking place over a two-week period each month. Each month, subscribers would receive a roughly 20-page book providing basic daypart and demographic audience information. And, the books were released within a week of the end of the survey. That was a major selling point, as Arbitron regularly took four to eight weeks after the end of its April-May and October-November sweeps to issue its reports. And as a gimmick, just before the release of the ARB's in Mediatrend markets, Seiler would issue his predictions of what the ARB shares would be. For instance, for



Top 40 and Rock stations, he would reduce their Mediatrend shares by 30%, as Mediatrend had better representation among persons 12-34, which yielded better shares for such stations than in the ARB. In more than seven of 10 cases, the predictions were within a half-share of the eventual Arbitron shares.

The other selling point for a monthly service such as Mediatrend was that it helped identify the “wobbles” or statistical fluctuations inherent in any sample-based research - those numbers that fall outside the range of the standard deviation. This is common, even now with today’s larger sample sizes: a station is cruising along, then in one book, the bottom falls out of its numbers, followed by an unbelievable resurgence in the next book. Or a station gets a gift of two, three or four shares for no real reason, followed by a trip to the toilet in the next book. Those are offsetting wobbles. But if you have two services, the chances of both services having fluctuations in the same book in the same direction for the same stations is extremely remote.

By 1978, there were Mediatrend reports for more than 30 markets. It was so successful that WQAM Miami program director **Tom Birch** started doing his own surveys using the same methodology. Those home-brew reports eventually led to the Birch Reports, later Birch-Scarborough, which briefly attempted to supplant Arbitron in the 1980s.

Money talks and you know what walks

Of course, Birch was not the only wannabe Arbitron beater. Burke Marketing Research of Cincinnati tried its own survey in 1977. In fact, they offered to buy Mediatrend, but were turned down. Jim Seiler asked Burke’s president how much money Burke had to devote to their new service. The Burke man told Jim \$7.5 Million. Seiler told him that wasn’t nearly enough - that it would cost at least \$15 Million just to reach parity with Arbitron and another \$15 Million to beat them. Sure enough, Burke retreated from the field not with a bang, but with a whimper.

The RAB, under then-President **Miles David**, supported another effort called TRAC-7, which was to be produced by Audits and Surveys, Inc, the then-producer of the radio network RADAR reports. TRAC-7, like the Burke effort, never got past some pilot studies. The reason: not enough support from radio stations.

“Those who do not learn from history are doomed to repeat it” applies here. Eastlan, the successor to the well-regarded Willhite ratings, is currently producing some pilot reports for Cumulus in addition to its well-received small-market ratings. Cumulus is looking to find a service to augment Arbitron, which it feels (from all reports) is too expensive. At last Fall’s NAB Radio Show, Clear Channel’s Radio CEO **John Hogan** reportedly felt the same way and opined that perhaps it’s time for the radio industry to do its own ratings. Well, guys, if you’re determined to bring Arbitron to its knees, here’s some advice, based on the past efforts:

It’s impossible to supplant the leader without a good plan and deep pockets.

TRAC-7, Burke, Birch and the rest all had good ideas and lofty plans. But they didn’t have staying power - that is, enough money.

Any such effort must gain agency acceptance

And that’s where the other attempts broke down. They couldn’t develop acceptance by the agencies. Yes, Arbitron gets some of its acceptance by practically giving away its data to agencies. But that’s not all of it. Some firms actually gave the data to agencies for free. And, Mediastat hired former agency execs to make the company’s case to the agencies, but with only moderate success. At best, Mediastat ratings were used as tie-breakers. That’s not enough to ensure the future of a ratings concern. Agency media planners and buyers trust Arbitron because it’s been around for years, and no one has given the planners/buyers any really compelling reason to throw over Arbitron.

Radio cannot force ratings on the agencies

It doesn’t matter if no station in the market buys the Arbitron. If the Arbitron is produced for that market, agencies will accept it over any other audience data. Ask market veterans from the Quad Cities and Charleston, SC if their temporary rejection of Arbitron (and support of Birch in the Quad Cities’ case) back in the 1980’s did them any good. After a year, the stations in both markets rejoined the legion of Arbitron subscribers.

Industry-sponsored ratings services lack the credibility of independence

Radio’s first audience measurement in the 30’s was the Crossley survey - which was created and sponsored by the radio industry. So long as it was the only source of audience data, it survived. But as soon as Nielsen came along and provided an independent voice, the Crossleys lost their clout.

Granted, the structure of radio has changed dramatically. Back when these other services attempted to fight Arbitron, there were many owners in each market; and if you gathered 10 local broadcasters in a room, you’d get 10 opinions. Now there are only two or three groups that count in any significant market. So if all of them agree on a service, there’s half a chance that service might stay in business for a while.

RBR Observation: It all boils down to the question of money. Back in 1977, Jim Seiler projected that it would cost \$30 million to break Arbitron. What’s \$30 million in 2004 dollars — \$100 million? \$150 million? Does Cumulus or Clear Channel or Infinity (or all of them combined, and wouldn’t that be a treat to see) have that kind of money to devote to the effort? But even more, DO THEY HAVE THE PATIENCE? In this Wall Street-driven world of “I don’t care how good you were last quarter, what have you done for me this quarter” mentality, how many companies could stomach the static they’d receive from the “sages” of Wall Street on investments of that size in something that could end up being a black hole? Frankly, I don’t think any of them could or would.

They don’t have the guts or the far-sightedness necessary. In their defense, neither did their predecessors 25 years ago, and most of them weren’t forced to do dog and pony acts for the analysts every quarter as Mark and Mel

and Lew and David are.

I know first hand because I was there at Mediatrend. At that time I was a PD learning radio ratings research and learning to sell. I had a hard time being a salesman so I just talked our PD language and Mediatrend sold itself. Broadcasters, the ball's in your court. The possibility of blackening Arbitron's eye is there.

But just remember, it's withstood any number of attempts before, and it survives and thrives.

Now, what was your age in 1975, the year of Mediastat and radio ratings history?

Radio Ratings 2004 The Methodologies

You can't change the radio ratings game if you don't know the history.

Survey methodology - which is best?

We have seen where the ratings game started and why now we are currently in the accountability stage for the future of the radio business and methodology for your market. Over the years, there have been many survey methodologies and techniques used to collect radio listening information. Today, though, there are only two that are used widely, with a third system currently undergoing tests.

The two most-common methods are the personal mail-in diary and the personal phone recall interview. The new one, of course, is the "portable people meter" or "ppm." The primary proponent of the diary (and the ppm) is Arbitron. Eastlan is the latest firm to rely on the recall interview.

But what are the relative strengths and weaknesses of each system? That's what this article will attempt to offer. It's written by a 20-year-plus veteran of radio audience measurement, albeit with neither of the current "players."

Personal seven-day diary - This has been Arbitron's technique since it started measuring radio in 1968, and Nielsen used it back in the 40's. Arbitron's implementation is pretty sophisticated. They have samples of both listed and unlisted residential phone numbers. They call those residences and request of the person who answers the phone, the cooperation of all members of the household 12 years and older. They send out up to nine diaries per household and include incentives in the form of small cash payments. In some households, there are follow-up premiums paid to further encourage cooperation. Listening from diaries returned that meet Arbitron's criteria for usability is tallied and audience estimates are issued. Listening estimates are weighted (based on return) to achieve demographic, geographic, and in some markets, ethnic balances. Sample targets (the numbers of usable diaries Arbitron deems as suitable for reliable audience estimates) ranges from about 300 to well over 6,000 in metro areas, depending largely on population size.

Pros: Gets multiple days of listening - better establishes listening patterns. Theoretically covers 672 potential quarter-hours of listening from each respondent, which can lead to less "bounce" in the resulting numbers. Agencies accept the methodology and Arbitron's numbers more readily than any other technique.

Cons: Arbitron is having to work ever harder to keep response rates at acceptable levels (some observers say they haven't succeeded); premiums keep becoming larger; fancier presentation of the diaries is required; more contact between Arbitron and respondents necessary to get usable diaries returned - all this costs money. If response drops too low, the reliability of the ratings becomes suspect. Based on observations from reviews of diary returns by zip code, those returning diaries in the greatest numbers don't appear to represent a clear socio-economic cross section of the popu-

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lation. And sometimes, poor response from certain demographic or ethnic sub-sets causes their audience estimates to be very unstable.

Telephone recall interview - This is Eastlan's technique, the same as used by predecessor Wilhight Ratings. Also used (with simpler sampling techniques) in the 70's and 80's by Media Statistics and the original Birch Report. Eastlan has adopted sophisticated methods of drawing its samples to ensure good balance. They use a recall survey, in which the respondent is asked about his/her listening over the last 24 hours. After all listening from that period has been recorded, the respondent is then asked if he/she has heard any other radio stations over the past seven days, in order to develop a weekly cume. Eastlan's sample sizes range from 500 to 1,500 depending on market population, per their website.

Pros: Better cooperation possible, due to short commitment to the project by each respondent (about 10 minutes for the interview). Eastlan interviews only one person per household, which potentially makes their ratings more representative. Because they know who has responded to their surveys at any time, they can adjust their calling to keep samples representative, eliminating the need for heavy weighting of listening from any sub-sample. And, this is a much less expensive technique than the diary for gathering listening information - no mailings; no premiums; no follow-up contacts.

Cons: Interview covers only a potential 96 quarter-hours per respondent, so samples often need to be larger for equivalent market sizes. Only covers a one-day period, so listening patterns cannot be easily developed from their data, except on a macro basis. Acceptance by agencies is only fair - better in the Pacific Northwest (Eastlan's home territory) than in some other parts of the country.

Personal People Meter - This is Arbitron's most extensive attempt to develop a replacement for the personal diary. Still under long-term testing, the PPM hints at the promise of measurement techniques to come. In reality, the technique is rather simple. Stations broadcast an inaudible audio code that identifies them to the PPM. The PPM then records the time it started "hearing" a code and the time it stopped hearing it. Each night, the respondent takes off the PPM (fits in a shirt pocket) and places it in the re-charger base. Then the PPM feeds its data through the base to a phone line that connects to Arbitron's computers. The current test started with 400 meters placed with Wilmington, DE residents, and has expanded to include approximately 1,500 persons throughout the Philadelphia TV DMA. Arbitron has promised expansion of the test to include a market with significant Hispanic population. Because of cost and other factors, Arbitron is looking at using long-term panels of respondents, rather than the current "one week and you're out" sample base.

As one might expect, the PPM yields results that are different from the personal diary. While overall time spent with radio levels are fairly consistent, the PPM records far greater numbers of stations listened to than in the diary, for considerably shorter periods of time. Also, the tests have shown greater listening during middays and evenings, and less dur-

ing mornings and afternoons. Those differences in themselves stand to radically alter the "common wisdom" about radio listening habits.

The PPM is also capable of measuring TV viewing and, down the road, may allow measurement of exposure to individual ads. As a result, Arbitron has been holding talks with Nielsen about joint use of the PPM as a measurement tool.

Pros: Much more precise measurement of listening - removes the human factor. Capable of producing radio/TV/cable audience reports. Less hassle for the respondent than having to fill out a diary, which may lead to greater cooperation and response. Overall listening levels on a par with those resulting from the diary survey. Possibility of monthly - even weekly - audience reports.

Cons: Very expensive to implement: reports have placed the price for the PPM/base/charger combination at more than \$250 each; that price should come down in time, but the PPM will always be more expensive than a paper diary. And, those costs make joint ventures (such as Arbitron and Nielsen are discussing) mandatory. Possibility that respondents would become sensitized to the importance of their media exposure and manipulate it somehow (not probable, but possible). A few critics have opined that some groups may hesitate to accept PPM's (the groups may believe the PPM will feed information to law enforcement agencies).

It might be relevant to note that some broadcasters, particularly Cox Radio's **Bob Neil**, have voiced objections to the PPM. And they're right to do so, as the PPM will cost a lot to implement (and we all know who will end up paying that cost [hint: not the agencies]) and the dramatically different station-by-station results it produces.

RBR Observation: There is no one methodology in use today that's markedly better than any other. And that means that none is dramatically inferior to any other. Each methodology turns out audience measurement statistics that vary, sometimes considerably, from another's. It can't be helped—that's what makes statistics so fascinating to analysts and so frustrating to radio managers and programmers.

I've always felt radio should have at least two credible audience measurement services, and perhaps Cumulus's tests with Eastlan will result in that. We fear, however, that endless attempts to cut costs related to research will result in statistically flawed measurements of (even more) dubious quality over the long run. And while Mr. Dickey mentions the success **Greg Gentling** has had in Sioux Falls without numbers, we think he should know that in markets that size, agencies are far less important than they are in Houston, Nashville or even Toledo. We'd be interested to see how well his largest-market salespeople are able to deal with a saavy media buyer (who has the numbers at his/her disposal) when they don't. Or who won't accept numbers from anyone other than Arbitron. And there's the rub of any alternative service: if it doesn't have agency acceptance, it's not worth the powder to blow it up.

Radio Business Report

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