The Council for Research Excellence
Marketplace Practices Committee
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Over the past six months, executive interviews were conducted with buyers, sellers and systems providers who use local TV ratings data. Eight areas of common concern emerged from these interviews:

- Sample size
- Estimating
- Share
- Posting and Auditing
- Systems
- Education
- Media as a commodity
- The Role of Software Solution Providers

The following pages summarize these findings, focusing on issues raised by two or more respondents.

Sample Size

One in four interviewees raised sample size as a concern. Please note that "sample size" isn't always a research issue; in the mind of several respondents "sample size" is code for anything they thought they should be able to do with the data but could not.

Examples:
- A cable research director recalled the business impact of LPM M18-34 sample problems when local people meters were introduced to Boston.

- A NY NSM complained of frequent ratings instability during late night. Buyers pointed to the same problem, with a director of local broadcast noting "weird discrepancies happen on a regular basis."

- A media director cited a media plan which called for an overly ambitious M18-34 goal in a market dominated by retirees. Because of low sample for this narrow demo, posts were always way over or way under. The truth was always somewhere in between, but the rules (and the auditors) didn't allow for any "common sense" adjustments to the post. Says one agency VP: "The buying community is very rigid when it comes to this point and this kind of behavior."

Several interviewees expressed a contrarian's view, too. One station research director wondered, "At what point do we say: we have asked enough of this sample?" From a practical standpoint, some users would prefer a "less is more" approach. They say data overload and unmanageable expectations lead to poor decision making when users are forced to choose what's really important.

Estimating

Estimates and concerns about viewing shares were named by almost half of the interviewees. Although some of their issues were technical, ("Are programs a better way of estimating than time periods?") many respondents expressed skepticism over how these numbers were used to create projections. "There are two types of buyers," says one research director. "One type understands these are just estimates. The other assumes every number is accurate within two decimal places."

A local broadcast buyer agreed, adding "if we could only make clients understand that they are just estimates."

A media director admitted client expectations' are a big part of the problem. "Part of it is our fault for not letting users know that the ratings aren't as solid as people pretend that they are." In talking about diary-based estimates in particular, they said, "I have yet to convince a client that these estimates are unstable."

Additional comments on estimates:

- "Buyers think the diary ratings are real and clients think they are real. They believe they can predict and forecast future ratings based on past performance."

- "Buyers think they are doctors when they are actually alchemists."

- Interviewees say the plethora of viewing sources and platforms makes it more difficult to create a good projection. "Despite the fundamental transformations in the media business, the process of projecting ratings hasn't changed over the past 20 years."

- "There's a thinking that says you should post to within 5% of the estimate in set meter markets," says a media director. "However, both the meter and the diary have a standard error. If they swing up or down in concert, that's ok; but if they swing against each other, it creates the impression that buyers are doing a poor job. How are you supposed to estimate under these conditions?"

Share

When interviewees were asked if they had concerns with how they project, one in four talked about share. Comments included:

- "The latest share is a pretty poor predicator of the next sweep. "

- "Share means nothing; ratings can go up and share can go down."

- "Despite the fact that time shifting has eroded the value of share; people are steadfastly following the old model."

- "The industry needs to create a replacement. Share is dead. It was a good model for six stations when the programming changed once a year – now it's outdated."

- "Share doesn't work for cable," says a research director. "It's the worst way to estimate. It seems to overproduce broadcast and under deliver for cable." He adds that share made sense for broadcast 25 years ago but fails both cable and TV stations when used today.

- "It's difficult to use share. I wish there was another way when you find share isn't a realistic number, "says a media buyer.

- "What we are slowly seeing…people are beginning to ask for impressions. Buyers are asking for more impressions now than ever before," says a rep noting that some buyers are beginning to move away from asking for ratings produced by share * PUT.

Most of respondents seemed vaguely aware that Nielsen's adjustment for time shifted viewing has changed the meaning of share and its how this will affect live ratings. Only one interviewee had a definite plan to move away from using share to project future audience estimates.

Posting and Auditing

There is more dissatisfaction with posting than any other single issue mentioned by participants in this study. Issues included a belief that +/- 10 threshold is no longer applicable; the validity of data loaded by third part processors; and an inflexible application of the rules to situations where available research doesn't meet user expectations.

Comments:

- Software solution providers sometimes load incorrect Nielsen data into their systems. This might include not keeping up to date with data reissues or choosing the wrong program average line. "There are several program averages," says a station researcher, "and there's no guarantee Donovan will load the right one. Sometimes we deliver what we were supposed to but we don't *post* because the wrong line was loaded into Donovan."

- Stations and spot cable sing the same tune when broadcasters fret about fringe dayparts. "When you are looking at the 5am news and it gets a .6 rating, that's a posting problem," says a TV station researcher.

- Cable sellers feel that day/date/qtr hour posting is unfair to local cable. "We and Nielsen both discouraged this due to standard error concerns," says one cable researcher. "It hurts us more than broadcast stations because we have smaller ratings. " They add, "The expectations were very high that posting [in LPM markets] would help cable. It hasn't."

- Agency spot buyers expressed reservations about posting criteria. "The 90-110 rule -- I don't think it's real," says an agency director of local broadcast. " For years the industry has been posting +/- 10 pct. That made sense 35-40 years ago, but those rules are antiquated in today's media environment. It's a problem in diary, meter/diary markets and LPM markets, too. They add that "buyers should be sending their stations thank you notes for posting at 90 percent."

- Rep firms, whose clients are still more likely to come from a meter/diary or diary-only markets, wonder why we don't use all of the data available and then model what's missing. "We have household meter data every day but demos only during sweeps." They say the ROI on household overnight data is very low – it could be put to greater use if the non-sweep overnights were used for posting. "Why don't we use 365 days of household meters and incorporate the demos from the adjacent sweeps?"

- Spot buyers say LPM hasn't helped this situation—it has actually made it worse. "Its harder to project and post because we still project off the averages. But on any given day, ratings will vary based on how the competition performs. However, because it's an LPM market, everyone expects it to post. "

- Processors feel hamstrung by the way Nielsen supplies the data making it hard to process and post. "Nielsen blocks daily weekday VIP data from 6:00A to 2:45P. This data 'hole' is a constant nuisance," says one agency processor. For example, *1 LIFE TO LIVE* is a five day strip which is reported as an average but without individual days. "It's hard to determine the highest rated Monday program when one-third of the programs aren't reported. It's puzzling to me why Nielsen won't release Mon 7:00A data where respondent levels are much higher than the Mon 4:00A data."

  Third party processors say the lack of detail forces them to make educated guesses when actuals aren't provided. "Program average records omit the total number of telecasts. Because of this limitation, we have to 'guess' the telecast counts based on the total number of quarter-hours and weeks aired."

- Sellers also complain about the lack of uniformity when it comes to reporting. "Every posting system uses different numbers," says a cable researcher. Station research directors have this frustration, too. "We need a universal format for post buy analysis. What we have now is time consuming because every agency requires a different format for post buys." Although vendor software may help automate the posting process, it still needs to be transcribed into each agency's format wiping out any productivity gains. "It's what our sales force spends every Monday and Tuesday afternoon doing."

Auditing
Buyers expressed frustration over auditor's lack-of-understanding about how ratings are used to post schedules.

- A spot account manager noted that although buyers are trained to use station break averages, auditor's post to the exact quarter hour.

- "They are useless," says one agency VP. "Their job is to find something wrong and create a lot of busy work." Buys that use narrow demos are less likely to post—yet auditors apply the same criteria to Adult 18-49 buys as they do to Men 18-34 schedules. "Everyone needs to sit down at a table and to admit that what we are doing isn't working."

Systems

Only one interviewee, representing a small agency buying for one client in two markets, felt that delivery and analysis systems are up to the challenges of today's media environment. Although delivery system vendors had their defenders, most users would agree with these harsh assessments from a station and an agency:

> "I think that Nielsen is the worst run company on the planet."
> "Donovan is a dinosaur; it would cost a fortune to rewrite. Everyone is unhappy, but there is no consensus on what should be done."

Users are frustrated that delivery systems haven't kept up with the pace of change mandated by the media environment. As an agency critic said, "When DDS doesn't do it, we just have to work around it."

Some of the user complaints are also user-created. "Most people don't understand these systems have settings," says an agency group buyer. System options will produce differing results and most users don't take the time to learn the intricacies as to how these applications work. "You just can't shove a tape into the system and expect to get correct results."

A rep user agrees that clients are often to blame, "DDS gets bogged down with requests from users for 55 ways to adjust a number. Everyone wants ways to manipulate their own numbers their own way."

Comments:

- "Buyers do what they do because of systems. Donovan is the reason it is so hard to change what buyers do." They provide this example: "If I want the last eight times a show ran, breaking out the premier weeks and the rerun weeks, I can't get that out of Donovan." Agencies feel that buyers are getting the data they need but current systems aren't up to handling it. (From a media director)

- Relying on systems to do everything has created a blind faith in how they work. "buyers… don't know how numbers are truncated or rounded. They depend on Donovan to do this." (From an agency group manager)

- Spot TV users feel their needs get a low priority in the application development plans of systems' vendors. "DDS has no motivation to make changes. They are a monopoly – just like Nielsen," says a TV station research director. Although this interviewee scorns the work of both vendors, he places most of the blame on Nielsen. "This is Nielsen data. They should have been the first one out there with tools to handle these data." This user expressed frustration about the pace of change and the scarcity of tools to deal with new data. "Without a way to analyze it, what good is it?"

- Bad system design is not just an irritant – it costs time and money, too. "I can't tell you how many times I make mistakes and put in the wrong time period b/c it is so poorly designed," says a TV station user. "You make a mistake and you get a bill. These things can run into thousands of dollars."

- "The DDS EasyPost system would be better named 'DisasterPost,' says a national sales manager. Invoices need to be manually entered and it doesn't let you post using HH and demo data from different months.

- Rep, stations and cable researchers complain that prohibitive costs inhibit innovation. "DDS has a system to do overnight posts but when you add up the DDS fees and the Nielsen fees, we can't afford it," say a rep user.

TV station users agree. "There is a lot of data out there, but it's not available in an economically and operationally feasible form." Agencies also agree that Nielsen's rate card is an impediment to innovation. "Financially, Nielsen's redundant tape access fees make it financially difficult to buy other products," says one media director.

- Several interviewees expressed a "less is more" sentiment about Nielsen data. They can't keep up with the data and constantly make priority calls about they can do and won't get to.

  - o "There's too much data," says a syndication researcher. "There's too much input coming in creating too many files produced as well as too much back and forth with between clients and Nielsen."

  - o "Do we need all of this data? Can we do with less?" asks a respondent from the rep business. "Is it necessary to have this overwhelming detail to do the simple job we need to do? Are we over researching the business? Do we need to know the absolute behavior of everyone?"

  - o A TV station researcher laments the mixed blessing of local people meters. "Now with LPM, the limitations have grown geometrically – as opposed to arithmetically." This was qualified by an NSM who noted that monthly books require more frequent revisions of projections, too.

  - o "We need to stream line the process," says one TV researcher. "There's no time or money to produce 'nice to know' information, only time for get 'need to know' information." Their hope is to get tools which will create efficiencies that will let them go beyond "providing numbers for numbers sake" and focus on client needs. Another station user adds, "we don't have the time or the manpower to be as thorough as we want."

  - o Software solution providers agree, "Less is more. More data means each job is more complicated. Nielsen needs to ask end users, 'will you pass along another 100K to get this data?' No one wants to pay more. They need to think about how people will use it and how they pay for it."

- "We need to transact business as efficiently as possible with as few people as possible," says a national spot TV research director." The industry needs a vision for the future and has to stop making knee jerk reactions to the latest client fad.

- Researchers on the selling side of spot say their tools are inferior to national and international applications.

    o "There isn't anything comparable locally to NPower or Marketbreaks," says a station researcher. "I want to know what 25-54s did in Manhattan and New Jersey. But to get this every day, I would have to pay more and wait longer." This researcher looks at what's available across the Atlantic and despairs. "In Europe, they can break down data beyond age and gender including geography, income, child composition and multiple qualitative factors. I can't do that"

    "I'd love to be able to do real research frequency and get a better understanding of length of tune," adds a cable researcher. "I can't do it in America, but I would be able to do it in Europe. They have all of these data available."

    o Sales Researchers say current R&F models are outmoded and need revisiting. "They existed for the diary, but stations are left out in the cold again for LPM…they just stopped updating these data when LPM came out." This research director says current cume models are obsolete because they are based on diary-only data.

Education

Both buyers and sellers agree that end users on both sides of the desk don't know as much as they should about appropriate and correct use of Nielsen data.

- "Buyers and Sellers have different objectives," says an agency researcher. "And they try to accomplish these with flawed data."

- "Understanding the data and what you can do with it is a problem. The ground troops on both sides don't know a lot. It gets back to the constituencies that they represent. The end users don't have a lot of discipline." Says who?

- "Most buyers are minimalists; they only care about efficiency and aren't interested in taking the time to explore alternatives that might work better for both sides," according to a TV NSM. "Whatever comes in at tab gets bought in bulk."

- Hiring staff, training them and them getting them to stay is a problem. "Employees have to know every system and every research vendor, but only get paid $30,000," says a top ten market station researcher. They add, "there is no one around here with the word 'analyst' in their title. As an industry there's no place where people can train."

Media as a commodity

Interviewees shared concerns about companies like Google offering online auctions of media inventory. These conversations were triggered by Google's acquisition of dMarc Broadcasting, a company which uses an automated online system to sell unsold inventory on 5,000 radio stations across the company.

- "The great danger is that a Google-like company will take away all of the business from us," warns a media directory. "We should start admitting that it is a commodity."

- "Automation could work except it's still a people business," adds a TV national sales manager. "Enron tried that."

- "Buyers have been trained since 1972 that CPP and your rating are all that matter. But in the LPM world everything is a '2,'" says one rep firm. "How are we supposed to prove that my 2 is better than my competitor's 2 if we can't educate them about the differences?"

- Stations know they need to differentiate themselves and show a unique value for their audiences. "Buyers instead of looking at just a rating point realize that our rating has a different value than our competitors," according to an NSM. "Whose ratings do a better job of driving traffic? This shouldn't be just a commodity sell."

The Role of Software Solution Providers

Third Party Processors (software solution providers) have been both praised and blamed by end users. Their inflexibility and non-responsiveness have been often cited as reasons why the media business is slow to respond to change. On the other hand, they have an intimate knowledge of how the data work and are used by clients that Nielsen does not. "Nielsen should ask vendors how to market data changes to the clients," says one agency software solution provider. "Vendors are closer to the customers and how they actually use the data than Nielsen."

Until recently, Nielsen regarded software solution providers as competitors. Four years ago they began charging data access fees to third party providers and now offer them a minimum of support.

Software solution providers provide service and resources that Nielsen cannot. If the industry is intent on improving media ROI, software solutions providers can be important allies in that effort.

Most data are distributed in a MIT (Media Information Tape) format, a 40 year old generic data layout designed around the needs of legacy tape drives and extinct mainframes. It's cumbersome to use and its extensive data redundancy makes it a disk space hog hard to process and difficult to maintain. Nielsen should make data available in alternative formats like the industry standard XML to encourage clients, new third party processors and academia to license data and create new applications. This will create greater choice and lower costs for clients while adding incremental revenue for Nielsen.

- Software solution companies are often unclear about uses of new data – and why clients should care at all. As a result, many of Nielsen's "innovations" never make it into end user applications.

  "Nielsen should assign Account Execs to TPPs to market the value of new data," says one agency software solution provider. "TPPs are bewildered by Nielsen's data products and unclear about what they are, for whom they are intended and when they should be used. Assigning an AE to third parties could both clear up confusion in the market place and help the "sell through" of some niche product lines."

- Third party data access:
  - Solution providers acknowledge Nielsen has come a long way in data distribution and client communication, but delivery is still a mix of paper, CDs, DvDs and downloads. "All data and information should be distributed online and electronically," cites an agency provider. "No more overnight deliveries of disks and no more paper-only notifications that are used for corrections and reissues."

  - Data processors also have their own version of *less is more*. "The VIP data are too big and should be compressed," says one processor. "Using Winzip, I compressed all of the Sept06 VIP data from an unmanageable 2.8GB to workable 169MB. That's a compression ratio of 94% and would release vast amounts of hard drive space."

  - And despite improvements in online access, systems still fail providers during daily production. "For accessing Overnight data, the VPN for software solution providers times-out after 20 minutes even if there is activity. The time-out should only occur after a sustained period of inactivity like the Nielsen Learning Center." Providers also point out that

the C2C (computer to computer) MIT downloads should save preferences like data sources and support automatic downloading, too.

- Although Nielsen spends a lot of time considering the research ramifications of data changes. But third party processors say they give scant thought to whether or not end users will ever see those advances. "They don't think about how it will be rolled out in the market place," says a veteran third party provider.

  "Nielsen doesn't make it easy to use their data, and often it doesn't get used at all because of this," says an industry CIO. "When Nielsen added local cable info, they embedded it in other data making it difficult to use without having to wade through all of it and filter it out. We didn't want it. We didn't need it. But we got it anyway." The additional processing creates extra costs which are passed on to all clients. Solution providers say these situations could be avoided if Nielsen consulted with data providers to both learn the impact and to sell in the advantages of new data.

- Communication with providers has improved, but solution providers say there are so many announcements they receive, that it's hard to determine the "nice to know" email from those that have immediate data impact. "It would be helpful if updates that required development were flagged to separate them from just informational ones," notes an agency provider. "Items that require a programming change should be bundled and released together."

Conclusions

The respondents in this study represent a wide range of shared experiences in the TV business. There are many common frustrations and future aspirations. Here are some of the themes that emerged from these interviews:

- There's more to do than time to do it.
- People are critical of "the system" and feel that at times it is failing them and the constituencies they represent.
- The problems are too big for any one person or company to solve.
- New research which arrives without the tools to distill raw data into actionable information will not be welcomed.
- More data isn't always the right answer.
- Misconceptions about the behind-the-scenes mechanics of the media business are only exceeded by the disinterest in learning how things work.
- Given these trends, a general uneasiness about what the future will bring.

The TV ratings business has grown so large that no one single entity understands the needs of buyers, sellers and vendors; diary, household meter and LPM market; management and front-line negotiators. Furthermore, few people inside the industry have the time and the experience to create an objective study of these problems and recommend solutions that embrace the economic needs of the stakeholders and the day-to-day needs of the buyers, sellers, researchers and operations staff that make the TV business tick.

"We need a vision for the industry…not knee jerk reactions."
This observation, offered by an TV research veteran, would receive almost universal head nods from this study's interviewees. Change in the media business can be generally characterized by slow fits and sudden starts lead by the needs of a few vocal niche constituencies. Few, if any, instances come to mind when the TV ratings industry created a consensus for planning a future that benefited all stakeholders.

The Council for Research Excellence has an opportunity to change that.

As a next step, the Council for Research Excellence should hire an outside management consulting firm to study today's challenges and recommend future solutions for the industry. Only an independent analysis, from a source outside of the industry, can objectively analyze future scenarios and report on the upsides and negative impacts of each scenario. It will be money well spent on behalf of advertisers, agencies, sellers and vendors to insure success and the greatest ROI for all involved parties.

Appendix: Interviewees

Agency
Michelle Buslick, TargetCast TCM (Senior Vice President, Director of Media Research)
Sheriff Ceesay Initiative (Broadcast Negotiator)
Christi Cicerelli, Horizon Media (Vice President, Director of Local Broadcast)
Janice Finkel-Greene, Initiative (Eexcutive Vice President, Local Broadcast Strategy)
Coreen Gelber, PHD (Senior Vice President, Broadcast Director)
Nancy Machado, Initiative (Vice President Spot Account Manager)
Tony Maffei, Source Communications, Ft. Lee, NJ (Manager Broadcast / Buyer)

Station
David Bright, KNBC (Director, Research and Programming)
Jemina Keller, KTVX/KUCW, Salt Lake City (National Sales Manager)
Evan Kutner, WNBC/WNJU (Research Director)
Pat Liguori, WABC (VP / Research)
Vincent Sollecito WABC (VP / National Sales Manager)

Cable
Phyllis Leibert, Time-Warner Cable (Senior Director, Corporate Research)
Sarah Nastasi, Comcast Boston (Director of Research)

Rep / Syndication / Other
Whitey Chapin, Kingworld (Vice President, Research)
Tim Daly, ITN (Executive Vice President/Chief Information Officer)
Phil Kirk, Blair (Senior Vice President, Dir of Sales)
Alan Picozzi, Petry Media **(**Vice President, Director of Research)

Software Solution Providers (Third Party)
Brian Uyeda, SQAD
Carl Langrock, CoreDirect (President / CEO)
Kevin Killion, Stonehouse Systems (President)