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The Nielsen-AGB fight

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THE NIELSEN - AGB FIGHT

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INTRODUCTION

During the past decade, changes in technology have have altered the ratings war. Instead of being concentrated among the networks, the battle now rages among the ratings services themselves. Due to the fragmentation of viewing audiences, the changes in broadcast technology, and the new demands from the companies involved with television ratings, the television rating system has changed more in the past five years than in the two decades prior to 1980.

The ratings are a measure of program viewership. The term, "The Nielsens", has become synonymous with the entire rating system and industry. The rating system in the United States is a complex interdependent relationship among the networks, advertising agencies, and the advertisers. The confusion is further compounded by the individual interests that each of these groups holds.

The three major groups of companies in the ratings game are: the major rating services; the A.C. Nielsen Company, Arbitron, Inc., and AGB Research of Great Britain; the national television networks; NBC, ABC, CBS and large cable networks; and major advertisers who, working through their advertising agencies, purchase commercial time on the networks based on the ratings.

This paper is an analysis of the television rating system as it presently exists in the United States. Descriptions of the major rating companies, the history and development of the rating system, the methodologies used and the major technological changes occurring will be presented to allow the reader to gain an understanding of the rating system and its impact on network television and advertising. The paper will also provide an interpretation of a rating card and present some of the major problems currently associated with using the rating systems of the United State's television industry.

Chapter One introduces the ratings system and describes the industries that use television rating information. Chapter Two defines the rating terminology. Chapter Three is a short history of broadcast ratings in the United States. Chapter Four describes the three major rating services in the United States. Chapter Five presents the AGB-Nielsen fight for a national ratings system. Chapter Six describes the complaints and problems associated with the ratings systems. Chapter Seven discusses the future of the ratings system. Recommendations and conclusions are provided concerning the future of the ratings systems and what must be considered if the ratings system is to survive in the future as television and viewing audiences continue to change and demand more from the ratings system companies.

CHAPTER 1

WHY ARE RATINGS SO IMPORTANT?

A major question that must be answered before any discussion of the rating system takes place is why there is even a television program rating system in this country in the first place.

A rating is a statistical estimate of the number of viewers who have been exposed to a television program. It is a statistical estimate because it is subject to a margin of statistical error. A rating is not a census of all television households but a count from a sample of households selected from all available television households. The sample numbers are then "projected" to become the national totals for television viewing.[1]

Television must rely on subscription services for viewer numbers, because people do not buy television programs. Research is the only way to measure viewer acceptance. Cable television is, of course, an exception to this because households subscribe to cable for a monthly fee.

Other entertainment media have devised ways to count the number of exposures. Magazines and newspapers can count the number of paid subscriptions and copies that are printed in each run to determine circulation. Movies and theaters can count the number of tickets that were sold for each performance. Only television broadcasting developed without a specific way to count the number of viewers it reaches.[2]

Each rating is independently determined by market research services who monitor television viewing. The rating services sell the information they have gathered to interested subscribers. Television networks and their programmers are very interested in the numbers of television households and viewers who see the network's programs. The rating figure is in the center of virtually every decision made in the television industry.

The rating figure represents the estimated size of a television audience. The size of this audience will govern how much an advertiser will pay for the commercial air time it purchases. The amount of advertising time that is sold will determine the network's profits for the coming year.

For the networks, the ratings reflect the market value and although it has never been concretely proven by financial analysts, the Nielsen averages have been known to be reflected in the fluctuating stock prices of the networks. The ratings greatly affect the loyalty of the network's affiliate stations. Affiliates do not want to remain with low rated networks since this will result in lower profits for them also.[3]

The networks use the ratings numbers for three purposes; first, ratings are used as a measure of total viewership for individual programs and the entire network. Two, they are used to judge the public acceptance of shows. This in turn determines if the show remains on the air, is juggled to another time slot, or is cancelled. Three, the ratings allow the networks to provide demographic breakdowns and estimates of the number of their viewers to advertising agencies.

What the average viewer must remember is that in television the product is not the program. The product is the audience. People are the real product of the broadcast industry. American television is the business of selling audiences to advertisers. How much an advertiser pays for a 30-second spot depends not so much on how many viewers tune in but on the quality of those viewers. Advertisers choose affluent young adults because of their consumption habits. For example, women between eighteen and forty-nine, who watch prime time television on Fridays, sell for $16.50 per thousand; older women and teenagers, who purchase less, sell for less, approximately $11.00 per thousand.[4]

The consumer of the television product (the audience) is the advertiser. The advertisers do not buy a program. They buy an audience. The network that gets the highest price for its product is one that produces the most audience. This is the reason why networks constantly struggle to achieve the highest ratings in television.

Higher ratings mean more advertising dollars.

In truth, the rating numbers are the real product of American television. They are what the networks sell to advertisers and what the programs are designed to achieve.[5]

But why are these numbers and the large audiences they represent so important to the networks? At stake is an estimated $8.6 billion in annual network television advertising revenues. To a network an average annual ratings point can be worth $50 million to $70 million in profits.[6]

Network sales teams use ratings to make audience projections for their network's shows. The projections include demographic breakdowns of the specific audiences each show may attract. The networks sell advertising time to advertisers with specific target audience guarantees. The networks promise a certain number of viewers in a certain demographic category. If the show fails to deliver, the networks give the advertiser free commercial time. This free commercial time, known as "make-goods", is placed in other shows and runs until the promised number of viewers is reached.[7]

The process of determining what a network is willing to sell its advertising time for and what an advertiser is willing to pay involves considerable negotiation. The negotiation occurs between the networks and the advertising agencies working for their clients, the advertisers.

Advertising agencies became involved in purchasing network advertising not only when acting as agents for their clients but when the whole process of network commercial buying became too confusing and cumbersome for the advertisers to perform themselves.

As the volume of available commercial time increased along with the size of advertisers' television budgets, so did the advertising agencies and their client media departments. The advertiser became more and more isolated from the whole process of purchasing commercial time. Unfortunately the whole process had grown from a meeting with all three parties, the advertiser, the agency and the media staff, sensibly discussing the media decisions to a situation where each party is looking out for its own best interests and placing advertising on the air to its individual advantage in terms of careers and product promotion.[8]

The advertising agencies purchase the commercial time because the agency has convinced that client that it knows the client's product, the target market and is in the best position to make judgements on which network programs will best reach the desired audience. Unfortunately this is not always the case.
Most advertising agencies begin the process of the "up-front" buying in the early summer. Almost two thirds of

the available network commercial time is purchased in June and July.[9] The "up-front" buyers are the first purchasers of commercial time. They make sure they secure the best programs in the time periods that best serve their advertiser's needs.[10] These early purchasers also pay a premium price for the advertising space they buy even though the price is on a projected basis.

The advertising agencies have a strong voice in the ratings system. Although they only act as agents for the advertisers they represent, the agencies greatly influence the system. This is because the agency is the actual user of the ratings information. The advertising agency has three goals when dealing with a client's message. First, it attempts to select out of the total audience those viewers who are the best candidates for a sponsor's product; second, to keep up with, and predict, audience tastes in order to provide a favorable environment for selling messages; and third, to help the networks provide more choices in the kinds of programming they provide so the agency will have more choices from which to select commercial air time.[11]

Ratings are a major concern to advertising agencies because agencies are dominated by the media buying departments. The Media departments are responsible for the proper placement of the agency's work and the purchase of that placement. Media is the unit which is directly responsible for providing the dollars of the agency. The profits of the agency are determined by the hefty commissions (15%) it receives based on the amount of air time that is purchased for clients.[12]

The advertisers control the agencies. They determine who gets their advertising account, who keeps it and who loses it if it fails. The advertiser hires an advertising agency because it recognizes that buying advertising time has become too complex for the advertiser to perform. The advertiser's goal is simple: To increase or maintain the sales of its product. To achieve this goal, the advertiser's message must get out to the public. Not just the general public, but the public that is going to believe the message and if motivated, the public that is going to purchase the product.

The ratings help the advertiser to determine who that public is and how the advertiser can most efficiently reach that public. If the advertiser determines the market for the product is females, ages 18 to 34, the rating numbers can tell the advertiser when it can reach this group, how to reach this group and the potential number of group members who may see the advertiser's message.

While all three players, the networks, the agencies and the advertisers, work with each other in using the ratings, by no means is the relationship amicable. Each industry has its own best interests at heart and works toward fulfilling those interests. Network executives would like to see the rating numbers be as high as possible, so they could charge the highest possible advertising rates. Agencies and advertisers would like to see the rating numbers include more information so they could more accurately target the advertising message. There is constant conflict between the parties concerning the high prices charged for advertising and the cost of the large potential audience that television offers. The ratings are not the only point on which networks, advertising agencies and advertisers disagree. However, it does appear to be the one factor that receives the most notice.

While it is important to understand the motivation and the outlook of the industries that use the ratings system, it is just as important to understand the terminology that that ratings systems use. The terminology and the interpretation of actual ratings will be presented next.

---

[1]A.C. Nielsen Company, "Everything You've Always Wanted to Know About TV Ratings" (Chicago: A.C. Nielsen Company, 1981), p. 8.

[2]Barbara Matusow, The Evening Stars, (Boston: Houghton Mifflin Company, 1983), p. 56.

[3]Les Brown, "Does the TV Ratings System Exert Unfair Influence?", New York Times, 17 January 1980, p. C22.

[4]Les Brown, "Buying and Selling the TV Viewer.", Harpers (January 1986): 70-1.

[5]Les Brown, Televi$ion, (New York: Harcourt Brace Jovanovich, 1971) p. 32.

[6]Andrea Gabor, "Television's Tyranny of Numbers", U.S. News and World Report (8 September 1986): 46.

[7]Peter Barnes and Joanne Lipman, "Networks and Ad Agencies Battle Over Estimates of TV Viewership.", Wall Street Journal, 7 January 1987, p. 23.

[8]Byron Chandler, "Nielsen and Other Numbers: What Do They Mean?", Madison Avenue, (25 August 1983): 26.

[9]Bernice Kanner, "Now, People Meters.", New York, (19 May 1986): 16.

[10]Michael Couzens, "Invasion of the People Meters.", Channels of Communication, (June 1986): 40.

[11]Bob Stahl, "Those Ratings - TV's Slave or Master?", in TV Guide - The First 25 Years, ed. Jay S. Harris (New York: Simon and Schuster, 1978), p. 48.

[12]Michael Couzens, "Invasion of the People Meters.", Channels of Communication, (June 1986): 40.

CHAPTER 2

RATINGS AND RATING TERMS

Before one can grasp the seriousness which the broadcasting and advertising industries attach to ratings, it may be necessary to understand what is involved in defining a television program rating. The rating systems currently in use are filled with terms that make little sense to the common television viewer or non-practitioner of media research. The ratings terminology is filled with such things as DMA's, GRP's, HUT's, and PUT's. This section will simply define each of the major terms used in media research and use an actual ratings card to show how media research data is interpreted and used by broadcasters and advertising agencies.

DMA

Designated Market Area is generally a group of counties in which stations located in the metropolitan area achieve the largest market share. DMA's are non-overlapping areas used for planning, buying and evaluating television audiences. DMA's may also be referred to as ADI's, short for Areas of Dominant Influence. ADI is the term that the Arbitron rating service uses. It is also used a great deal by the broadcast industry since the use of the term ADI's preceedes the use of DMA's.

Households Using Television (HUT)

The percentage of all television households in the survey area with one or more sets in use during a specific time period. The sum of the average rating for a given time will sometimes be higher that HUT because of viewing in multiple set television households. If a household is watching two programs, credit is given toward each program in the rating, but only once toward HUT. When HUT applies to persons, it is called Persons Using Television (PUT).

Rating (RTG)

The statistical estimate of the size of a television audience relative to the total group sampled. The estimate is expressed as a percentage. The rating is a percentage of the nation's estimated 87.4 million homes that are equipped with television.

Share (SH)

The percentage of the Households Using Television (HUT) or Persons Using Television (PUT) tuned to a specific program or station in a specified area at a specified time. The share is a percentage of the audience viewing during a particular time.

Gross Rating Points (GRP's)

The sum of all rating points achieved for a particular period of time and/or schedule of commercials. A 1 GRP equals one percent of the population of a market. A 100 GRP means the exposure level would equal 100 percent of the population, not that everyone in the population was exposed.[1]

Reach (Cume)

The number of different or unduplicated households or persons that are exposed to a television program or commercial at least once during the average week for a reported time period.

Frequency

The average number of times a household or a person viewed a given television program, station or commercial during a specific time period.

Frequency Distribution

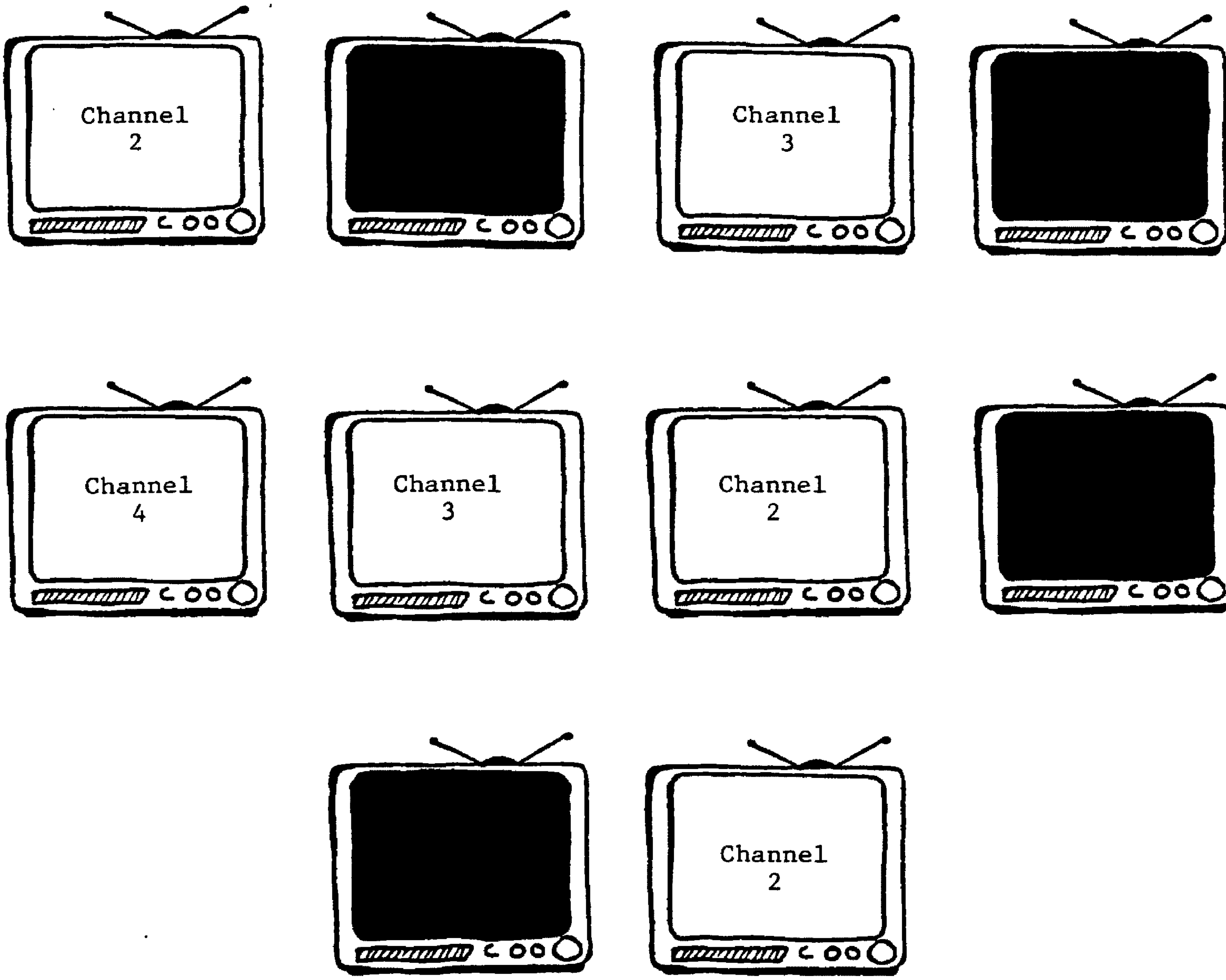
The number or percentage of households or persons exposed to a given program, station, or commercial one time, two times, three times, etc.

The illustrations on the following two pages provide a graphical interpretation of each of these media measurement figures.[2]

ILLUSTRATION 1

VIEWING AUDIENCE

Tuesday 6:00PM



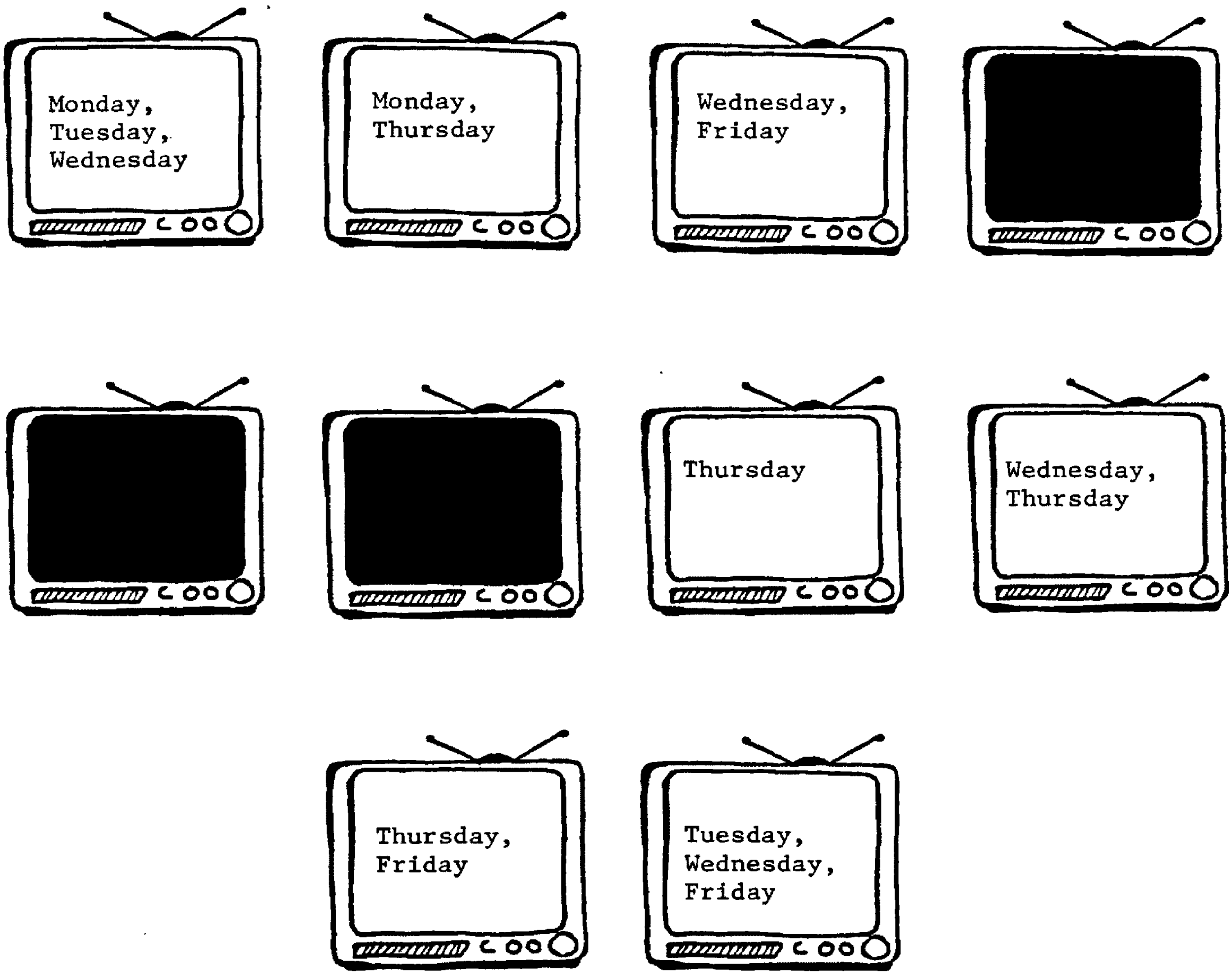
1.	HUT	$\frac{6}{10}$	$\frac{\text{Households Using TV}}{\text{Total TV Households}}$	=	60
2.	RATING	$\frac{3}{10}$	$\frac{\text{Channel 2 Households}}{\text{Total TV Households}}$	=	30
3.	SHARE	$\frac{3}{6}$	$\frac{\text{Channel 2 Households}}{\text{Households Using TV}}$	=	50

Rating = Share x Hut

ILLUSTRATION 2

CHANNEL 2's AUDIENCE

Monday through Friday 6:00PM



4. GRP's	Monday	=	20 Rtg.	Thursday	=	30 Rtg.
	Tuesday	=	30 Rtg.	Friday	=	30 Rtg.
	Wednesday	=	40 Rtg.	Total		150 GRP's

5. REACH $\frac{7}{10}$ $\frac{\text{Channel 2 Households}}{\text{Total TV Households}}$ = 70

6. FREQUENCY $\frac{150}{70}$ $\frac{\text{GRP's}}{\text{Reach}}$ = 2.1

During the week, Channel 2 reached 70 percent of the households with a frequency of 2.1 times.

GRP's = Reach x Frequency

Armed with an understanding of the rating terminology, it is now appropriate to use the information to interpret an actual ratings card.

On the following page, there is an example of an actual Nielsen ratings card. It is the Nielsen National TV Audience Estimates for Friday evening, September 20, 1985.

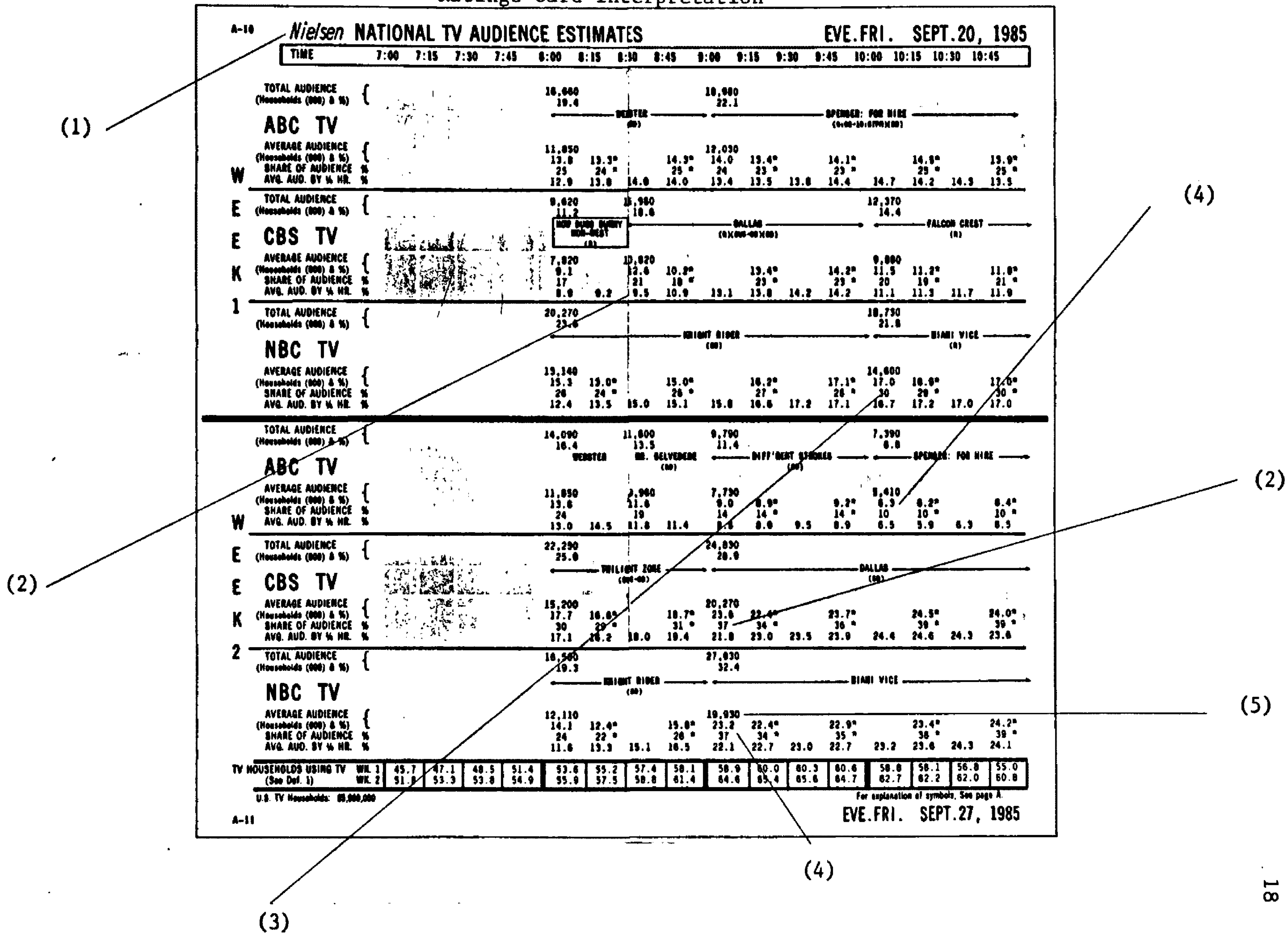
On this Friday night the ratings contest is between two major contenders; CBS's Dallas and NBC's Miami Vice. Since on this night both of these series were reruns in the first week of the new television season, ABC has a good chance to capture an audience with a two hour premiere of Spencer:For Hire (Please see number 1).

The numbers along the bottom of each line indicate the percentage of the 86 million American television households that were tuned into the program each quarter-hour. Spencer survived against the rerun of Dallas the first hour but lost most of its audience to Miami Vice in the second (Please see number 2).

This number is the share (Please see number 3). It represents the number of people actually watching television at the time who were tuned in to the program, as opposed to the entire television households. Miami Vice had a share of 30; Falcon Crest, on CBS, had a share of 20; and Spencer, on ABC, had a share of 25. The three shares total to 75 percent of the viewing audience for the time period.

ILLUSTRATION 3

Ratings Card Interpretation



With shares, the lowest measure of success is a 30 audience share for a program. Any program that reaches less than 30 percent of its available audience is not considered a success by the networks.[3] Although these share figures are for only one night they would be viewed in the same manner to determine success for the season.

The rating, the most important number, is the second number down in the stacks of the four numbers listed (Please see number 4). On this Friday night, Miami Vice was the winner with a rating of 17.0. This is considerably higher than Dallas' 12.6. Spencer's ratings for the night averaged around a 14. A national rating score of 17.0 is considered acceptable in prime time television. Expensive programs that are not able to sustain a rating higher than the 17.0 are rarely able to produce a profit and hence are usually dropped from the network schedules.[4]

Another important section to consider is the household television numbers (Please see number 5). Dallas was watched in 20,270,000 households while Miami Vice reached 19,930,000 homes. The homes watching Dallas have 1.755 viewers per set, while the homes watching Miami Vice have 1.971 persons per set. This means that Dallas pulled in 35.6 million viewers and Miami Vice attracted 39.3 million people, a significant difference of 3.7 million viewers.[5]

The ratings terminology that is used today has slowly developed over several years of trial and error. However, television rating terminology is nothing more than an extension of radio rating terminology and the television rating system is an outgrowth of radio ratings systems. The next chapter will examine the history and development of the broadcast rating systems.

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[1]William H. Bolen, Advertising, 2nd ed., (New York: John Wiley & Sons, 1984), p. 622.

[2]A.C. Nielsen Company, "Your Guide to Nielsen Reports and Services", (Chicago: A.C. Nielsen Company, 1985), p. 8-9.

[3]Lester L. Brown, Televi$ion, (New York: Harcourt Brace Jovanovich, 1971), p. 33.

[4]ibid.

[5]Les Brown, "Buying and Selling the TV Viewer." Harper's (January 1986): 70-1.

CHAPTER 3

HISTORY OF BROADCAST RATINGS UNTIL 1980

Ratings are not a new invention that has appeared overnight in response to the growth of television and cable. Rating systems have been around since the beginning of broadcasting. The idea of ratings was invented in the early days of radio by broadcasters who wanted to know just how many people they were reaching.

The first rating systems would be considered very primitive and totally unscientific by today's standards. Early radio broadcasters relied on things such as fan mail, phone calls to listeners and popularity contests to determine the size of the audience. By allowing people to vote, the listeners determined the most popular station and programs.

In 1929, the lack of concrete data on listenership caused Archibald Crossley to develop the first rating service. This was done at the request of the Association of National Advertisers and was called the Cooperative Analysis of Broadcasting or CAB.[1] The Crossley ratings, as they became known, consisted of telephone interviews of random houses selected from the telephone directory, asking listeners what they had heard the previous day.

In 1934, Claude E. Hooper developed the Hooperating. Hooper's system was an improvement on Crossley's because Hooper used telephone coincidental surveys--surveys that asked the listener what the listener was listening to at that moment. The Hooperatings did have the problem that they could not measure station switching throughout the day, but they did provide more accuracy than the Crosley ratings which relied on a listener's memory. The Hooperatings dominated radio ratings in the Thirties and into the Forties.[2]

At the same time as the Hooperatings were being developed, two professors at the Massachusetts Institute of Technology invented a device that would revolutionize audience measurement. Robert F. Elder and L.F. Woodruff invented a device that could be attached to a radio and record on a roll of paper tape which station had been listened to and at what time. In 1936, A.C. Nielsen purchased the rights to the device and spent six years improving its reliability and technology.

Nielsen was no stranger to market research. He had started his own company in 1923. His first product was to perform specialized surveys for industrial clients. In the midst of the depression, he gambled on a new idea: auditing the purchases and shelf stocks in drugstores to measure product market shares for clients. This was the start of the Nielsen Drug Index. The Drug Index was later expanded into the Food Index which became the basis of the Nielsen Company.[3]

Nielsen started monitoring radio listenership in 1942. The device invented at MIT was called an Audimeter. The Audimeter was attached to radios in a sample of homes. The initial sample was 1,000 households. The first Audimeters recorded only the dial position of the roll of paper inside the machine. Improvements allowed an oscillator to be attached that transmitted a signal which indicated the station the radio was tuned to, and also recorded that information on the roll.[4] The Audimeters were considered to be a tremendous improvement over the Hooperatings. The Nielsen Audimeter could record 24-hours-a-day what station was tuned into, for how long and at what time. This was a feature the Hooperatings lacked. Realizing that radios could be turned on without anyone listening, Nielsen supplemented the Audimeters with a small sample of diaries. This was considered a tremendous improvement in proving the validity of the audience measurement.[5]

The development of television posed a real challenge for the ratings companies. In 1950, Nielsen acquired the network division of C.E. Hooper, thus becoming the largest rater of radio programs. However, even more important in this action was that it allowed Nielsen to acquire Hooper's network television rating service. By the end of that year, Nielsen had converted its Audimeter for use in television measurement. By 1951, the company had 350 meters on televisions nationally. The cost to the national networks was a mere $100,000.[6]

During the late 1940's another company entered the ratings field. The American Research Bureau was founded by Jim Seller to measure television audiences. It later became the Arbitron Ratings Company. Arbitron chose its sample from the telephone directory. When the caller found a home with a television, the family was sent a diary to record their viewing habits in. In Arbitron's first nation wide sweep, 2,000 homes were surveyed. Arbitron also provided for its future growth when it acquired Hooper's local television rating service in 1954.[7]

In 1959, Arbitron stunned the broadcasting world by announcing that the company had developed a $9 million electronic metering system that was capable of providing instant ratings. At that time the Nielsen ratings took nearly six weeks to compile and publish.[8] Nielsen announced that its meters would be converted to Storage Instantaneous Audimeters and also provide instant ratings. Arbitron's system which was supposed to be a nation-wide effort and in direct competition to the Nielsen national system failed. Lack of national support from the major networks and advertising agencies reduced the system to a local market offering only. Today, Arbitron competes with Nielsen only at the local ratings level. Nielsen is the undisputed leader for national ratings.

The explosion of television in the 1950's caused an expansion in the number of available rating services. At one time there were six separate companies offering such services. With differing methodologies, each of these companies were able to arrive at differing ratings for television shows. For example, in 1954, Nielsen gave an episode of I Love Lucy a rating of 64.3, while a competing service, Trendex, said the show had a 59.1 rating. The differences were caused by sampling methodology. Nielsen was measuring the entire national audience. Trendex's numbers were only from the ten major U.S. cities. U.S. Representative Oren Harris put together a subcommittee to investigate what he felt were dubious and questionable practices by the rating services.[9] Although the hearings were never able to reach any conclusions concerning the ratings and their measurement, the public exposure, none the less, was damaging to the rating companies and the national television networks. The three networks and the National Association of Broadcasters established a joint research group to study the ratings. The group was known as the Committee on Nationwide Television Audience Measurement (CONTAM) whose job was to continually oversee and test the ratings process.[10]

With the continued growth of television, the ratings industry became more competitive. Both Nielsen and Arbitron, the two major companies, continued to absorb smaller operations. Nielsen continued to emphasize its national ratings service while Arbitron concentrated on its local metered services. Nielsen did allow Arbitron to have one monopoly. In 1964, Nielsen dropped its radio monitoring service and allowed Arbitron to become the only major ratings company responsible for radio ratings in the United States. That is a position Arbitron retains even today.[11]

In the 1960's and 1970's the two companies concentrated their efforts on increasing their sample sizes, as the number of television sets increased, and increasing the number of homes and markets that were metered for monitoring. Both companies also worked on perfecting their measuring methods, both by improving validity and reliability of the methods and by incorporating new technology into the measurement process.

With the advent of instantaneous ratings, electronic meters and computer tabulation of survey results, the early, innovative days of the ratings industry were ending. As the networks became more competitive, they demanded more from the research services. The rating companies strove to meet the demands of the market. For example, in 1950 the Nielsen National Television Index took six weeks to compile.

By 1961, the Index took only sixteen days. By 1967, nine days and by 1973 the Index was available in one week.

Broadcast research continued to become increasingly sophisticated, especially with the advent of computers. Complex sampling techniques, highly selective demographic and geographic ratings, continued to be developed in the industry.[12] There was, however, one development that the ratings industry and its companies seemed to have forgotten. And that was the unprecedented effect technology would have on television and broadcasting.
An effect that the ratings companies would be completely unprepared for. Before describing the competition between the three major ratings companies as it exists today, though, it may be useful to describe the different companies and the methodology each uses to determine the broadcast ratings. The companies are highlighted in Chapter Four.

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[1]Allison J. Conte, "Measuring Up: How Broadcast Ratings Grew.", Advertising Age (31 October 1983): M11.

[2]Susan Antilla, "Broadcast Ratings: Fifty Years of Trial and Error.", Dun's Review (May 1981): 33.

[3]"A Better Nielsen," Financial World (15 April 1981): 37.

[4]Allison J. Conte, "Measuring Up: How Broadcast Ratings Grew.", Advertising Age (31 October 1983): M11.

[5]Susan Antilla, "Broadcast Ratings: Fifty Years of Trial and Error.", Dun's Review (May 1981): 33.

[6]Allison J. Conte, "Measuring Up: How Broadcast Ratings Grew.", Advertising Age (31 October 1983): M11.

[7] ibid.

[8] Susan Antilla, "Broadcast Ratings: Fifty Years of Trial and Error.", Dun's Review (May 1981): 33.

[9] ibid.

[10] Todd Gitlin, Inside Prime Time, (New York: Pantheon Books, 1983), p. 52.

[11] Allison J. Conte, "Measuring Up: How Broadcast Ratings Grew.", Advertising Age (31 October 1983): M11.

[12] Todd Gitlin, Inside Prime Time, (New York: Pantheon Books, 1983), p. 48.

CHAPTER 4

THE MAJOR RATING SERVICES

The ratings industry is currently dominated by three major companies. The companies include the A.C. Nielsen Company, a major market research firm that was established in 1923; Arbitron, now a division of Control Data, which was established in 1950 and who competes with Nielsen for local television ratings; and AGB Research of Great Britain, a foreign competitor, who is the largest research firm in Europe and is challenging Nielsen and Arbitron with its People Meter technology.

The A.C. Nielsen Company

The A.C. Nielsen Company is the largest market research firm in the world. Since the company has been in existence since 1923, it is also the oldest market research firm in the world. Founded by Arthur C. Nielsen, Sr., the company is credited with inventing the concept of the Market Share.

The Nielsen Company has a reputation in market research for being of the highest integrity and reliability. Much of the validity that television ratings have is a result of the reputation of the Nielsen company. This conservative image has also been somewhat detrimental to the company. Many people in the market research industry perceive the Nielsen Company to be very sluggish and hesitant, especially about adopting new technology concerning its measurement techniques. The company has been viewed as ponderous and slow-moving in response to new competition as well as to changes in the video and broadcast industry's technology. Nielsen executives discount this view by saying that the company does not wish to rush into anything that is untried and that the amount of dependence that the networks, advertising agencies and advertisers place on the Nielsen ratings preclude rapid changes without full understanding of their implications on all parties.[1]

Although the company is most widely known for its television rating services, earnings from such services constitute only about ten percent of the total company's profit. Nielsen is involved in many diverse areas of market research. It has several divisions to serve the needs of its subscriber clients. These divisions include:

> <u>The Marketing Research Group</u> offers services to the packages goods manufacturers. The service allows producers to screen, plan, test and evaluate individual brands as well as entire marketing programs.
>
> <u>The Media Research Group</u> provides television audience estimates (ratings) to networks, stations, advertising agencies, advertisers and producers to guide in buying, selling, and programming. The group's main divisions are: the Nielsen Home Video Index, which measures the use of home video rentals; the Nielsen Station Index, which measures local station viewing; and the Nielsen Television Index, which measures viewing of national television networks.[2]

The Nielsen Clearing House Group provides coupon handling, processing and redemption services for manufacturers and retailers. This service is the the largest of its kind in the United States.

Neodata Services Group maintains subscriber files and produces mailing labels for over 130 magazines. The mailing lists are also available to interested subscribers.

Petroleum Information Corporation produces information that is utilized by the oil and gas industry to help make exploration and production operations more efficient. Comprehensive information on well drilling and output is available in computerized data bases. Nielsen acquired this service in 1967.

Dataquest Incorporated, a subsidiary, provides detailed information on market size, product features, new developments, competitive shares and industry trends on high-technology and construction equipment industries.[3]

In measuring the television ratings, the Media Research Group uses two measures to determine the numbers. One system is used for national ratings while the other is used to determine local station viewer numbers and demographics.

The Nielsen Television Index (NTI) measures the network viewing of sample of 1700 households. The homes are selected in a random sample drawn from census tracts. These homes are metered using the Nielsen Audimeter to determine viewing habits.[4] The NTI has an auxiliary service, known as the National Audience Composition or NAC. The NAC sample uses Audilogs (viewing diaries) to determine the demographics of a sample of 865 household panel members. Of these 865 people, 625 are used in the actual tabulation of viewer statistics. These are the households and the viewers who determine the ratings that the national networks use.[5]

The second measure that the Nielsen Company uses is the Nielsen Station Index or NSI. This is the component of Nielsen's measurement that measure's local viewing habits. The data, both in size of audience and composition, are gathered for more than 220 separate areas in the United States. Each of these areas, the DMA's, are considered individual markets. The information gathered for the NSI comes from the diaries which are sent to randomly selected households in the DMA area. The information is supplemented with telephone calls to gather additional demographic information on the household.[6]

The diary procedure is performed as follows: After agreeing to keep the dairy, a copy is sent to the household. For one week, household members must record their individual viewing choices and provide certain demographic data (age, sex, income, etc.). The diaries are rotated through teams of families to prevent fatigue in filling the diaries out. A diary must be kept for each separate television in the house. Ideally, the diaries will provide a detailed account of the actual viewing by all members of the household throughout each week day assigned to them, noting the time (every quarter hour), the program, the channel number, the number of persons viewing in any quarter hour, and the age and sex of each viewer. No qualitative responses to the programming is solicited.[7]

The participants in the diary measurement receive a token amount of pay for their efforts. Most homes receive $.50. However, some households can receive several dollars for their cooperation especially if they are in certain demographic groups that respond much more readily to larger pay inducements. The rating service also supplements the pay with earnest letters urging the household's cooperation.[8]

In the larger television markets the diaries are supplemented with meters for faster overnight ratings during the critical "Sweeps" periods. These are the times when local stations use the ratings to determine their advertising rates. In the larger markets the diary information and the meter information is combined to provide demographic profiles for day parts, programs and time periods.[9]

To prevent the 1700 households in the Nielsen Indexes from becoming too powerful and dictating what the whole country will watch on television, Nielsen provides for changes in its sample. Approximately 20 percent of the Audimeter homes change every year, either by moving or just by dropping out the sample. Also, no household is allowed to be in the Nielsen sample for longer than five years.[10]

Arbitron, Inc.

Arbitron is the rating service of the American Research Bureau, a subsidiary of Control Data Corporation. Arbitron is the prime competitor to the Nielsen Company in audience measurement at the local level. Originally, the Arbitron ratings were based solely on diary reports. However, with the advent of electronic metering, Arbitron has supplemented its diary service with electronic metering. Arbitron and Nielsen have continued to "meter" the larger television viewing areas in an attempt to keep up with each other.[11]

The major differences between the Arbitron ratings and the Nielsen local ratings is the weighting factor that Arbitron uses. Whereas the Nielsen Company concentrates its sample selection on obtaining a sample that is a real reflection of the actual population, Arbitron achieves its demographic composition through weighting for whatever demographics are disproportionate in its sample. This causes Arbitron's sample to be more complex. Arbitron weights in three categories; head of household's age, race, and geography. The weighting in the Arbitron sample is similar to a weighted average. Elements are given a weight if they are understated or overstated from the national average. Many people in the broadcast industry also feel that Arbitron has not kept up with the video technological innovations as much as the Nielsen Company has. All in all, though, there is very little difference between the two companies when it comes to television ratings.[12]

The one area where Arbitron does hold a monopoly is in the area of radio ratings. This is due to the fact that the Nielsen Company dropped its radio monitoring in 1964, leaving Arbitron as the only company with national coverage to monitor radio.

Although Arbitron is not seen as a major player in the national ratings war, it is not sitting back and letting the other corporations dominate the national ratings field. Arbitron, working with Sales Area Marketing Inc. (SAMI) and Burke Research, has developed what may prove to be the next step in audience monitoring.

ScanAmerica is a monitoring system that would allow both media and purchase data to be collected from one household. By using a people meter type instrument, ScanAmerica's system is able to merge viewing data with product purchases and thus allow advertisers to judge the impact their commercials have on the audience.

The ScanAmerica system is wired so that viewers cannot tune into a program on their television unless they answer an on-screen prompt. The ScanAmerica meter monitors the viewing habits of the family including the commercials that the family watches during the programs. The other feature of ScanAmerica is an electric light pen that can read the Universal Bar Code found on most grocery and houseware products. Every time the family returns home from the supermarket, they remove the light pen from the meter and run it across the bar codes on the purchases before putting them away. The light pen is then reinserted into the meter on the television where the purchase information is fed with the television viewing habits to the central computer.

The entire process takes less than five minutes, and early validation tests in Denver, Colorado, have shown the system to be a highly accurate measure of a household's response to commercials. Because of the nature of the research, ScanAmerica is not competing directly with other rating services and the company may be able to create its own market research service niche.[13] The system is unique for two reasons; it is the only monitoring service which issues an on-screen prompt to remind the viewer to "log-on" and it is also the only service to utilize the Universal Bar Code on products.[14]

AGB Research, Inc.

AGB Research, Inc. is the newest entrant into the ratings field. The American operation is a subsidiary of the parent company, Audits Great Britain, PLC, which monitors the viewing habits of the British television system. AGB is a publicly held company that was founded in 1962. The company is the fourth largest market research firm in the world and is Europe's largest. The country currently holds television monitoring contracts in countries world wide, including Great Britain, The Netherlands, Ireland, West Germany, France, Hong Kong, the Phillipines, Australia and New Zealand. The company recently lost the contract to monitor Canada's television system, in a questionable battle with the A.C. Nielsen Company.

The company's measuring device is called the People Meter and it has revolutionized the audience measurement industry. The device allows almost instantaneous ratings and allows demographic information to be collected without the use of the diary. Clients can call the AGB computer the morning after televising to find out how many households and what kind of people were watching a particular show. The system also allows the client to get ratings for commercials.[15] The system can also monitor VCR activity, and any fast-forwarding during replay, which allows advertisers to gauge accurately for the first time the amount of commercial zapping that is occurring.[16]

The People Meter is very simple in terms of use. It is also using the latest measurement technology available to the ratings companies. The system that AGB plans to use consists of three parts. There is a household collector, called a Set-meter, which has the capacity to monitor up to four sets in the household. A remote detection unit, which records channel changes, use of VCR's, games, etc. on one set. Lastly, a people detector, which picks up signals from a remote (infra-red) handset with pushbuttons. Each member of the household is assigned a button. Each individual must press the assigned button when viewing to record when and what the individual is watching. The computer knows who is watching by recording a person's assigned number from the handset. An additional feature is that if the television is turned on and viewership data are not punched in, the lights on the handset blink as a reminder.

The alternative to the handset is a new development that AGB calls the "electronic diary". This is a meter that contains a grid matrix which is activated by a light pen. The meter gathers information on the quarter hour and can handle the viewing information of up to eight people for seven days. In addition, the meter can handle up to eight guests with full demographic information on them. The device can also record if household members were away from home and if they did not view at all on a particular day.[17]

The advantages of the People Meter system are that it allows the possibility of almost instantaneous ratings, and that the system can tell analysts not only what is being watched by what kinds of people, but also how often they are channel jumping and what they are avoiding. The big improvement the system has or existing systems is that it has incorporated the new video technologies into the system and that the measurement is able to keep up with the viewing habits of the modern television audience.[18]

AGB announced in October 1983, it would enter the United States and do a market test in Boston. The test would be performed to prove the validity and reliability of the People Meter system. The test was also performed to see how people in the United States would react to a company keeping electronic tabs on what every member of the family was viewing. This installation of the test meters was expensive, over $1 million and AGB enlisted the aid of the three major television networks, major advertising agencies and major advertisers to pay for the project. They joined readily.[19] The entrance of AGB into the United States and its apparent acceptance by the ratings users set the stage for the next round of action by the ratings companies. This action involved a competitive clash between AGB and Nielsen over the domination of a national ratings system. The Nielsen-AGB fight is discussed in the next section.

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[1]Verne Gay, "Nielsen: 'Metering' its match in AGB?" Advertising Age (7 October 1985): 4,93.

[2]"Nielsen Unwraps TV Syndication Division." Advertising Age (11 March 1985): 62.

[3]"A.C. Nielsen Company." CPC Annual Volume 2 (1986/87): 47.

[4]Les Brown, The New York Times Encyclopedia of Television, (New York: Times Books, 1977), p. 310.

[5]Hugh Malcolm Beville, "TV Audience Measurement in Ferment." Advertising Age Thursday (21 November 1985): 32.

[6]Les Brown, The New York Times Encyclopedia of Television, (New York: Times Books, 1977), p. 310.

[7]Les Brown, Televi$ion, (New York: Harcourt Brace Jovanovich, 1971), p. 34.

[8]Elizabeth J. Berry, "Nielsen May Face U.K. Rival in Research TV Audiences." Wall Street Journal, 2 February 1984, p. 33.

[9]Les Brown, The New York Times Encyclopedia of Television, (New York: Times Books, 1977), p. 310.

[10]Les Brown, Televi$ion, (New York: Harcourt Brace Jovanovich, 1971), p. 34.

[11]Les Brown, The New York Times Encyclopedia of Television, (New York: Times Books, 1977), p. 19-20.

[12]Edmond M. Rosenthal, "Disparity Between Metered TV Ratings Firms Hits Fan Again." Television/Radio Age (31 March 1986): 62-3.

[13]Michael Couzens, "Invasion of the People Meters." Channels of Communication (April 1986): 40-5.

[14]Edmond M. Rosenthal, "People Meter Race Moves Into High Gear as AGB Gains." Television/Radio Age (17 February 1986): 92.

[15]Philip H. Dougherty, "Challenge to Nielsen from AGB." New York Times, 27 October 1983, p. D1.

[16]Bernice Kanner, "Now, People Meters." New York (19 May 1986): 16.

[17]"British Challenge to Nielsen Via 'people meters'." Television/Radio Age (1 August 1983): 32.

[18]Peter W. Kaplan, "Nielsen to Try New Audience Survey Device." New York Times, 16 October 1985, p. C26.

[19]Hugh Malcolm Beville, "TV Audience Measurement in Ferment." Advertising Age Thursday (21 November 1985): 32.

CHAPTER 5

THE NIELSEN - AGB FIGHT

There was no single event that precipitated the clash between the A.C. Nielsen Company and AGB Research over the metering of television programs. The fight itself has been symptomatic of problems that have been brewing in the television industry for a long time, especially since the introduction of cable in 1975. The advent of cable television changed the entire outlook of the industry and caught most of the present rating measurers off guard.

Before the United States, Nielsen and AGB were not unknown to each other. The two companies both bid for the contract to monitor Canada's television system. AGB was chosen to bid because of its long time experience in Great Britain. Nielsen was asked to bid because of its tremendous success in the United States. After much back biting and endless bureaucratic hassle the contract to monitor Canada was awarded to the A.C. Nielsen Company but not without a great deal of hurt feelings on the side of AGB.[1]

The competition between Nielsen and AGB began with AGB's announcement that they would begin monitoring television viewing in the United States in 1983.

The company would start with a pilot test in Boston in September of that year. The cost of the test would be in the range of $2.5 million. AGB asked for support for the test from the three networks, major advertising agencies, and from the major advertisers. These groups donated approximately $875,000 to finance the test and verify the results.

AGB's initial offer was a national sample of 5,000 metered households at a cost of half of those of the A.C. Nielsen Company (This estimate was later changed to a price that was equal to Nielsen's cost). The national sample would be operational in September of 1988. The attraction of a sample of this size is that it is three times larger than the sample the Nielsen company uses to determine household ratings and eight times larger than the number of households that Nielsen uses to determine individual viewing data.[2] The September of 1988 timetable required that 2,000 households were to be on line by the summer of 1987.[3]

AGB's advantage initially was the cost savings. Although later the cost was revised upward, AGB's initial attraction was a larger audience sample at a much lower cost to subscribers. AGB's equipment was also newer, cheaper and more efficient, since viewer data could be gather from the meter itself and not diaries, all factors that helped the company keep its costs low. An additional factor was that AGB's People Meter reports could be transmitted over public phone lines. This was much cheaper than most of the U.S. rating system which required dedicated phone lines to gather data on viewers.[4]

A major concern of all parties involved in the support of AGB was the validation of the People Meter system. Although the People Meter had been validated in Great Britain, many broadcasting and advertising industry people were skeptical of AGB's claims. Many felt even though it has performed very successfully in England the people meter was untried in the United States on a much more complex television system.[5]

The results of the Boston validation test showed a high degree of reliability for the methodology when they were published. The AGB system does have a high degree of accuracy when it comes to measuring television viewers. Among the other findings of the report were:

> The buttons on the People Meter were correctly pushed 93 percent of the time.
>
> The cooperation rate of the sample averaged 62 percent while the net response rate was 50 percent.
>
> The ratio of in-tab to the total sample averaged 94 percent on a daily basis. This means that the total number of households in that sample that could be used in the final ratings tabulation was 94 percent. This is one of the highest in-tab sample every achieved in the United States by a rating service.
>
> The monthly turnover rate for the sample was 2.5 percent which is normal for rating services.[6]

Although the People Meter service was validated by the results of the Boston test, AGB has not been able to seriously dent the Nielsen dominance of the television ratings business. AGB began pitching its national service to networks, agencies and advertisers in early 1986.

What AGB needs now are sponsors and funds. The company executives estimate that the cost of going national will be expensive, somewhere between \$25 - \$30 million.[7]

However, advertisers and agencies are reluctant to abandon Nielsen for the new service and many are taking a wait and see attitude. At this point in time AGB's national system of television monitoring using the People Meter is on hold, waiting the necessary funding and sponsors.

The Nielsen response to the AGB challenge was an attitude of wait and see. Nielsen itself had experimented with people meters in the late 1970's, but found the methodology too expensive and unproven to pursue it any further.

Nielsen's first reaction was to soothe its current subscribers. Nielsen told broadcasters that the company would not abandon the diary system. The company did have plans for a modest people meter experiment in 1985. The company was originally only going to test 150 meters.

However, as AGB gained momentum and many of Nielsen clients began to support the AGB system, Nielsen became more concerned. The 150 sample households became 600 and the introduction of the Nielsen people meter system became very accelerated.

The timetable looked like this:

October 1983	- sample test of 300 households.
March 1984	- sample test of 600 households.
March 1986	- validation test on the current state of the Nielsen people meters.
Fall 1986	- replacement of the dairy component of the NTI with 1,000 people meters.
September 1987	- replacement altogether of the NTI with 2,700 people meters
September 1988	- replacement of meters in major markets providing a sample in excess of 6,000 households.

Nielsen wanted to state unequivocally that it was prepared to defend its interest in the ratings industry. The time table allowed the company to have more homes metered in a shorter amount of time than AGB.[8]

The people meter system may have gone into place and AGB and Nielsen might have had a good competitive showdown if it were not for one fact. The networks, who pay the largest share of the cost for the ratings services were not happy with the introduction of the people meter by Nielsen.

When the people meter was first introduced the networks embraced the new technology. It was a system that was more accurate, more reliable, and would be able to tell them exactly how many viewers they were reaching with their programming.

What the networks didn't realize was that in the testing and validation of the people meter, the ratings services found that the diary methods had grossly overstated the viewer numbers for major shows and major day parts. For example, The Cosby Show scored 10 points lower with people meters than it did with the diary systems.[9] Among some of the findings were the following:

> People meters showed that as many people were watching television as the networks believed, but fewer people were watching network television in key parts of the schedule.
>
> Nearly five percent fewer women were watching the three networks in the daytime.
>
> Overall viewing of the three networks' prime time schedules was down by 3.7 percent.
>
> Late night programs, such as David Letterman registered considerable gains in audience numbers.[10]

Many of the advertising agencies and advertisers began questioning how valid the dairy had been all along.

The networks objected to the introduction of a total people meter system for a variety of reasons. First, they felt that the system had inadequate testing for a complete introduction. Broadcasters often cited the differences in viewing data between the systems as a reason for the requirement of more testing.

Another major reason for the networks' objections was the conflict separate systems would cause in the buying of advertising time. No one was to establish which numbers would be used to determine advertising rates.

Would people meter numbers be used or the NTI numbers or a combination thereof? Would the old NTI numbers be available for comparison or would there be a complete switch over without past trends or numbers for comparison. Also, how could comparisons be made between two systems that didn't even use the same methodology? The broadcasters had a lot of questions and misgivings about the switch to people meters and rightly so. The change would affect their advertising revenue and hence their profits.

The networks convinced Nielsen to continue with the old diary system for at least a year.[11] This would mean the 1986-87 television season would still be monitored on a combination system. Nielsen will gradually build up the sample base so the industry would have both services for comparison. The people meter system will replace the diary-meter system at the start of the 1987-88 season. The action was not without cost, however. The networks each agreed to pay $600,000 for both the people meter and the diary methods. It is an added cost that the networks resent paying and state that it was forced on them by the agencies and advertisers who want the more detailed demographic information that the people meter system provides. The networks saw the action, though, as the only way to get a concession they could, for the time being, find acceptable.[12] The conflicts that have been caused by the possibility of a major change in the ratings systems are symptomatic of how much each of the major parties involved in the ratings system depends on the ratings numbers. However, all the parties agree that the ratings numbers and the ratings systems do have inherent problems. The problems most often pointed out in regards to the ratings will be presented in Chapter Six.

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[1]Jack Honomichl, "U.S. Researchers Poised for Meter Fight.", Advertising Age (17 February 1986): 54.

[2]Hugh Malcom Beville, "TV Audience Measurement In Ferment.", Advertising Age (21 November 1985): 32.

[3]"Going National," Broadcasting (30 September 1985): 102.

[4]Belinda Hulin-Salkin, "How Electronic Media Measure Up.", Advertising Age (31 October 1983): M37.

[5]"Britain's AGB Research'" TV/Radio Age (3 September 1984): 57-8.

[6]"AGB People Meter Gets High Marks in Early Test Results.", TV/Radio Age (24 June 1985): 43.

[7]Verne Gay, "Nielsen: 'Metering' Its Match in AGB?", Advertising Age (7 October 1985): 93.

[8]Michael Couzens, "Invasion of the People Meters.", Channels of Communication (June 1986): 44.

[9]"Feuding Over People Meters," Fortune (23 June 1986): 8-10.

[10]Peter Boyer, "Networks Fight to Delay New Ratings Method.", New York Times, 17 April 1986, p. 29.

[11]ibid.

[12]"CBS O&O's Ponder Cutbacks in Rating Services.", New York Times, 21 July 1986, p. 34.

CHAPTER 6

THE PROBLEMS ASSOCIATED WITH THE RATINGS SYSTEM

The conflicts that have arisen between the rating services, the networks, the advertising agencies and the advertisers have all come about because there are problems with the rating system as it exists in the United States today. Some of these problems have been with the system since it developed, others have come about because of the changes in technology and viewing habits of American television viewers.

The first major problem that most people cite as being wrong with the ratings is the sample size. Many people in the industries believe that the sample size should be increased. This was in fact, the major attraction of AGB upon its announcement to enter the United State's market; the larger size of its proposed sample compared to that of A.C. Nielsen.

Although it seems inconceivable that a sample of 1200 households can be used to predict the viewing habits of the nation, the Nielsen company stands by its sampling system. Even so, the Company acknowledges that there is a 3 percent margin of error in its estimates.
It may seem justifiable to increase the sample size and

many advocates of the rating system demand just that. It is important to remember, however, that to decrease the margin of error in the Nielsen sample by 50 percent (from 3 percent to 1.5 percent), the sample size would have to be increased by four times. This would involve astronomical costs that the industries who subscribe to the services are not willing to bear for more accurate information.[1]

Another problem with the current diary method is that it is skewed in favor of the networks and their shows. Nielsen's polling methods are biased in favor of the networks and the company's main focus of operations has been to determine the comparative standings of the three major networks.[2]

Diaries suffer from a type of "Halo Effect" when they are used. People tend to fill the diaries out from memory, usually the day or week after watching a show. If a person cannot remember exactly which show they watched, they have a tendency to put down the name of one of the more popular shows of the night.[3] There is really no way for the rating services to validate what the viewers place in the diaries.

A further problem involved with the diary/meter method is that there is no way to tell if someone is actually watching. People can turn the television on and not view it. Although it is possible to do much the same thing with the people meter, AGB's system has a flashing light to remind the viewer to punch into the system. The passive meter which just records when the television set is on not when anyone is viewing has long troubled the ratings services.

The current methods of measuring viewership, often understate the number of viewers for cable and independent stations. In fact, these are the stations which gain the most in viewing numbers when people meters are introduced. The viewer cannot remember the vast number of stations that are available today through cable systems much less record them in a diary for viewing from the previous night.[4] The meters that are attached to televisions were not designed to handle over 30 stations that are often available in today's homes.[4] In the past years, Nielsen has had several problems with cable companies (notably, HBO and MTV) who say that the Nielsens do not accurately reflect their viewer numbers.[5]

The expense that is involved in obtaining market research is not evenly distributed. The national networks bear the brunt of supporting the ratings systems in this country. It is estimated that the broadcasters in this country pay approximately $10 to $12 million a year for the Nielsen's ratings system.[6]

There is a monopoly factor that is associated with the rating system in this country. The A.C. Nielsen Company is the only company in the country that provides national television ratings. Although Nielsen does compete with Arbitron for local ratings, this is only a very small part of the ratings industry. Many of the sponsors who supported AGB in its entrance into the United States did so because they expressed the desire to have a choice. They felt that by supporting AGB they would prod Nielsen to move in the direction they wanted the ratings system to go.

As mentioned before, the ratings system has not been able to keep up with the advancements in television and video technology. Cable, VCR's , and remote controls that allow the viewer to "Zap" out the commercials that the viewer does not wish to view has made it harder and harder to monitor who is watching what with any degree of accuracy. The advent of cable has caused a large fragmentation of the television viewing audience and made it harder for broadcasters to accurately project and guarantee just exactly who their audience is.

Another problem, as mentioned before, is the conflicting interests of the users of the television ratings system. There is no general consensus among the users as to the single best method of measuring television ratings Each party has its own best interests at heart and will continue to maximize its own gain at the expense of the other parties. This relationship is likely to continue on into the future. Chapter Seven presents the future of the ratings systems in the United States.

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[1]Les Brown, "Does the TV Ratings System Exert Unfair Influence?", New York Times, 17 January 1980, p. C22.

[2]Michael Couzens, "Invasion of the People Meters.", Channels of Communication (June 1986): 43.

[3]Jeffrey A.Trachtenberg, "Anybody Home Out There?", Forbes (19 May 1986): 169-70.

[4]George Swisshelm, "Has TV Meter Expansion Really Been Worth It?", Television /Radio Age (12 November 1984): 42.

[5]Judann Dagnoli, "MTV, Nielsen Out of Sync.", Advertising Age (10 March 1986): 1.

[6]Bernice Kanner, "Now, People Meters,", New York (19 May 1986): 20.

THE FUTURE OF THE RATINGS SYSTEM

CONCLUSIONS/RECOMMENDATIONS

Once it has been validated and accepted by all parties that use it, the people meter technology will stay. The question remaining is whose system will survive the battle-Nielsen's or AGB's? All of the players involved have huge amounts of resources behind them. All the ratings companies have technical staff, custom designed equipment (some of it with patent protection), capital resources, experience and reputation. All the companies involved in this ratings system war know the risks involved and they know the payoff. If only one survives, it will be a gold-mine monopoly, if only two survive, it will foster competition and both companies may be able to make a decent profit but there is no way all three ratings companies can survive as the industry is now structured.[1]

Ultimately, the big three networks will determine who will provide the ratings for America's television programs. After all, it is the networks who provide the programming that is rated. The networks are known to be resistant to change. They have stuck with the Nielsen rating system for decades and it may be the sense of loyalty to the Nielsen

Company that is AGB's final undoing in the United States.[2]

The future of the ratings system does hold promise. Without becoming more of a "big brother" threat new companies are devising ways to learn more about the typical television viewers and their viewing habits. The development of truly passive meters which require no viewer action at all has been targeted as the next step in the monitoring field. One development in the area is the of qualitative ratings for television programs. In 1982, a Cambridge, Massachusetts, firm named Television Audience Assessment, Inc. (TAA) demonstrated a ratings system that not only measured how many sets were tuned on but whether the audience in front of the television were emotionally and intellectually involved in the program.[3] An added benefit of the system, was that it would measure the possibility that viewers would be exposed to and receptive to commercials placed within programs. This interests broadcast and advertising executives who want to know that if people are interested and involved in the programs that they watch would they also be more receptive to commercials that are placed in those programs. The service was offered commercially for the first time in 1986.[4]

At the heart of the TAA system are two program measures; program appeal and program impact. Appeal is determined by asking viewers for their personal program rating of any show they watched the longest during any half-hour period.

The program impact is determined by having viewers indicate, on a scale of 1-10 to what degree the program "touched their feelings" and "how much they learned from the program."[5]

Some of the findings from TAA are interesting:

> The appeal ratings show that Americans like television. The average program appeal rating was 73 out of 100 points and 50 percent of all shows rated scored at 50 or above. The appeal rating is a subjective measure made by the viewer concerning the program's appeal to the viewer.
>
> Programs with small audiences frequently are rated as highly satisfying while programs with mass appeal often rate relatively low on over-all appeal.
>
> Fewer than half of all programs were selected in advance of viewing.
>
> On the average in cable markets, only one-third of the audience for one week's episode of a series returns to view the series the next week.
>
> Viewers living in households with cable television switch channels more often that those without and households with premium pay cable show even less channel loyalty, watching a different channel almost every hour.

TAA concluded that high impact programs cause viewers to set aside distracting activities, remain in a room throughout the program and set aside distracting activities. These viewers will give the program their undivided attention and are very likely to remain in the room during commercials.[6] TAA may become the next ratings participant.

The ratings system in the American television industry is in a serious upheaval at this time. The fractionalization of the viewing audience has complicated the measurement procedures as has the introduction of cable systems in broadcasting. As advertisers begin to spend more and more dollars in television advertising they are demanding more and more information about the viewers. Our complex society and free time makes difficult to measure viewing habits accurately. However, as measuring methods become more complex and complicated, the costs of measuring rise and the increases must be borne by the users of the measuring services. This is not a cost the users have shown a large willingness to bear.

The future of the ratings system is undecided and will be until a particular system is selected as the winner by the networks and advertisers. As each party demands more and more information from the ratings systems, we can expect to see more ratings battles and more conflicts between all parties involved.

American television cannot survive without a ratings system. Because of the nature and structure of broadcasting the ratings are a necessary evil. The ratings have been a problem for the broadcast industry since their inception and they will continue to cause problems. However, the industry needs ratings to judge viewership and to at least have some form of quantitative measurement to base advertising rates on. While it is proper to constantly question the validity and reliability of the ratings, it is also necessary to remember that the ratings themselves are nothing more than mere statistics. Ratings should not be the only piece of information used in programming and advertising judgements. They should be included in an overall assessment of the decision.

Television ratings must be unbiased and ratings must be developed by organizations independent of the networks, the advertising agencies and the advertisers. To have the networks or the agencies do the ratings themselves will only open the whole system to even more suspicion. The ratings measurement that is done must be held to the highest possible standard.

The costs of the media research must be shared more equitably among the subscribers. This may lead to more objectivity on the part of all parties involved. The predominance of the networks in supporting the ratings system, leads to having their concerns receiving the most attention and thought. Although actual subscription figures are not available, currently each network pays Nielsen an estimated $3.5 million annually for the NTI rating service.[7] The ratings system was not devised for the networks use only but also for those parties, such as networks and advertisers, who require viewership information.

The practitioners of media research data must make an effort to understand the ratings and what the numbers mean. Too often, media department personnel in advertising agencies do not thoroughly understand the figures they are basing their projections on. The advertising agencies are not the only parties to blame either. There is a mystique and an ignorance about the ratings that is perpetuated by the networks and the agencies as if the ratings were some mystical numbers that are generated by magic. Everyone involved in the rating process should make an honest effort to understand the ratings and to communicate that understanding to others.

Finally, the research methods that are used in advertising and specifically in media research and ratings measurement must be allowed to change and grow as the medium they are measuring develops. The ratings industry and the broadcasters and advertising industries would not be experiencing the difficulties that are occurring now if they had allowed ratings measurement to change when the television and video mediums changed.

In regard to ratings it is best to remember the words of Dr. Frank Stanton, former President of CBS, Inc. He said:

"Ratings, properly taken, serve a useful purpose. They provide a yardstick for the measurement of audiences. But what ratings do, at best, is to reveal the choice that viewers have made among the programs available...But beyond ratings, both quantitative and qualitative, we need to know something else--what people want to look at. It is not satisfactory to have indications of approval or disapproval of what we are doing. We need constantly to know what the audience thinks we <u>ought</u> to be doing."[8]

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[1]Jack Honomichl, "U.S. Researchers Poised for Meter Fight.", <u>Advertising Age</u> (17 February 1986): 54.

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