

**Appendix I .....Analysis of the Impact of Audience Measurement Tools**

## **An Analysis of the Impact of Audience Measurement Tools by Kofi A. Ofori**

As previously discussed, media buying decisions are greatly influenced by audience demographics and buying habits. In Section II-C-1, it was shown that stations that generate the highest advertising revenues generally have listeners that are economically affluent and that are non-minority. In part, this is due to reliance upon audience measurement reports that are the bread and butter tools of media buyers and station sales representatives. In addition to measuring audience size, these reports survey listener buying habits and cross-tabulate the results according to socio-economic categories. This section of the study examines the reliability of audience measurement reports and the implications of inaccurate data for minority broadcasters.

A 1966 Congressional oversight committee (*see*, Appendix I) summed up the FCC's responsibilities in this area very accurately when it said:

*The purchase and use by broadcasters of rating surveys importantly affect the performance of broadcasters in two respects, first, in relation to listeners and viewers, and second, in their competitive relations to each other. The FCC has vital responsibilities with regard to both these aspects.<sup>1</sup>*

Government oversight of audience research measurement services was prompted by reports of rigged quiz shows and payola during the 1960's. As a result of a Congressional investigation into these matters, the broadcast and advertising industries jointly established an institution that would be responsible for, among other things, administering a system of accreditation for broadcast audience measurement services. Presently known as the Media Ratings Council (MRC), its membership consists of representatives from the advertiser, television, radio and cable television industries.

The data collection methods of the services vary significantly. The MRC reviews the methodology for ratings services, and accredits those who meet MRC's reliability standards. This system was established in recognition of the importance of assuring reliable audience measurement tools for the industry and the public they serve.

### 1. Areas of Concern with Respect to Qualitative Research.

In evaluating ratings methodologies, issues to be examined include: 1) weighting techniques used to ensure the proper representation of segments of the population which rating services have historically undercounted (*e.g.* minorities); 2) ascription techniques used to complete data that is missing from survey instruments; and 3) techniques use to conform separately prepared reports in order to achieve product consistency.

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<sup>1</sup> HOUSE COMM. ON INTERSTATE AND FOREIGN COMMERCE. BROADCAST RATINGS, H.R. NO.1212. 89<sup>TH</sup> CONG., 2D SESS., AT 11 (1966).

Robert Jordan, President of International Demographics, Inc. which prepares The Media Audit, said in an interview with CRF<sup>2</sup> that it is the normal practice of audience measurement services to adjust survey data to account for questions on survey instruments which were not completed by survey respondents. Answers from completed survey instruments are used to supply answers for incomplete instruments.<sup>3</sup> The process is called ascription. However, Mr. Jordan believed the reliability of this process may be compromised when *entire* survey instruments—not just a few answers—are selected to be ascribed to survey participants who failed to return an instrument.

The problem is further compounded when data is weighted to correct for “skewness,” under-representation of certain groups in the survey responses. The need for this arises when segments of the population are disproportionately under-represented in the sample data. Hispanics, Blacks and young age segments are frequently undercounted and therefore under-represented in audience measurement surveys.<sup>4</sup> An appropriate amount of “extra weight,” therefore, is given to sample data from undercounted segments to ensure proportional representation. If, however, large portions of the sample data is ascribed (missing answers or surveys are attributed from other surveys), weighting techniques may magnify representational bias in the sample data. Mr. Jordan commented:

*[W]hen we start ascribing entire documents, especially when ascribing entire documents exceeds over 50%, then when you start to weight, the weighting starts to magnify as opposed to eliminate the differences between ethnic groups.*<sup>5</sup>

For example, if Blacks are under-represented in the sample data and the data on Blacks is supplied by a good random sample, it may be possible to give more weight to the answers supplied by Blacks in order to give them their proper weight in the overall survey results. If, on the other hand, the data on Blacks is not based upon a random sample—*i.e.*, large portions of the data is ascribed—any bias due to ascription may become further magnified by weighting the answers.

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<sup>2</sup> The Media Audit provides consumer information and retail shopping data for over 80 Arbitron markets. It received accreditation from the Media Ratings Council for its methodology and data collection procedures in 1997. The full text of the interview is available in volume III of this study.

<sup>3</sup> An attempt is normally made to match the demographic characteristics of the donee instrument (the survey which a missing a response) to the donor instrument (the survey from which a missing response is copied). However, the match may not be exact. Interview with Bob Jordan at 6.

<sup>4</sup> *Id.* at 9. See, for example, Donna Petrozzello, *Arbitron Undersamples Seven Markets*, *Broadcasting & Cable*, November 13, 1995 (Arbitron takes steps to correct sample errors that cut short the number of diaries mailed to black and Hispanic households in the New York urban metro area).

<sup>5</sup> Interview with Bob Jordan at 6.

The differences between the demographics of various radio stations can become exaggerated, if proper statistical procedures are not followed. This may affect the way advertisers value station audiences and decide where to place their ads.

Consequently, broadcasters serving the minority community may find themselves eliminated from ad campaigns, particularly those targeting audiences of certain ages, incomes or education levels. A buy specification for a luxury car commercial that seeks consumers that are ages 25 to 54, college graduates, with household incomes of \$75,000, may fit the profile of easy listening and classical music stations. Flawed ascription and weighting methodologies, however, may make it appear that minority-formatted stations have fewer listeners who fit those characteristics than is actually the case.<sup>6</sup>

A third area of concern involves conforming data taken from one survey to make it consistent with data from another survey. Some audience research services gather data through listener or viewer diaries, other through telephone interviews. Diaries tend to yield larger audience shares than data obtained by telephone interviews.<sup>7</sup> It is alleged that in order to avoid products with contradictory information, some ratings services will assign a response to a person that did not in fact give that response.<sup>8</sup> Such procedures raise issues that warrant examination by the Media Ratings Council, Congress, the Federal Communications Commission, and the Federal Trade Commission.

## 2. The Need for Vigorous Government Oversight

Congress has long recognized that the success or failure of broadcast programming, and thus broadcast stations, rests on the ratings that they receive. In short, “[m]illions of dollars turn on the ratings level,” because “program sponsors react to them.”<sup>9</sup>

The 1966 Congressional oversight report cited an FCC policy statement that sets forth the jurisdiction over broadcast ratings that the agency shares with the Federal Trade Commission (FTC). The FTC has primary jurisdiction over complaints dealing with questionable audience surveys. False or deceptive claims concerning audience size or characteristics are a violation of the unfair methods

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<sup>6</sup> *Id.* at 16 - 28.

<sup>7</sup> Interview with Bob Jordan.

<sup>8</sup> *[Arbitron] will go in there and say, “ Okay, this person, this person and this person did not say that they listened to this urban station [in a telephone interview]. But we are going to assign a response to them that says that they did listen. Id.* at 10.

<sup>9</sup> HOUSE COMM. ON INTERSTATE AND FOREIGN COMMERCE, at 2.

of competition provision of the Federal Trade Commission Act.<sup>10</sup> The misuse of audience surveys by broadcasters are taken into account by the Federal Communications Commission when determining whether a station is operating in the public interest.

The Congressional oversight committee also cited an FCC policy statement that states that it is the obligation of broadcasters to: 1) act responsibly in using survey reports; 2) take reasonable precautions to insure that surveys used in advertising campaigns are valid (e.g. that they are properly conceived, reasonably free of bias, and have adequate samples); and 3) refrain from quoting portions of surveys out of context so as to leave false and misleading impression of the relative ranking of stations in their respective markets.<sup>11</sup>

There have only been three FTC proceedings that involve the false and deceptive use of audience surveys. All three proceedings resulted in consent decrees issued against companies that provide audience measurement services.<sup>12</sup> In each instance the company agreed to cease and desist from, among other things, representing that its reports are based upon a true probability sample, and failing to disclose the statistical effect of non-responses to the survey instrument. The requirement to provide a detailed disclosure of the measurement methodologies was intended to have the effect of improving the reliability of audience measurement reports.<sup>13</sup>

In 1965, the FTC issued guidelines intended to assist broadcasters and others in avoiding violation of the Federal Trade Commission Act (*see*, Appendix J for full text).<sup>14</sup> In summary the guidelines state:

1. A firm making claims about the size or characteristics of an audience is responsible for making sure that the claim is truthful and not deceptive. If the claim is based upon a survey report, the firm making the claim assumes responsibility for interpreting the data accurately;
2. Unless the audience sample is based upon a true probability sample, the claims concerning audience coverage should disclose the fact that the figures are estimates only and not based upon any precise mathematical degree;

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<sup>10</sup> Section 5(a)(1) of the Federal Trade Commission Act states, "*Unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce, are hereby declared unlawful.*" 15 U.S.C. § 45 (a)(1).

<sup>11</sup> HOUSE COMM. ON INTERSTATE AND FOREIGN COMMERCE, at 11.

<sup>12</sup> *In the Matter of C-E-I-R, Inc.* 61 F.T.C. 1468 (1962); *In the Matter of A.C. Nielsen Company*, 61 F.T.C. 1473 (1962); *In the Matter of The Pulse, Inc.*, 61 F.T.C. 1479 (1962).

<sup>13</sup> HOUSE COMM. ON INTERSTATE AND FOREIGN COMMERCE, at 12.

<sup>14</sup> Federal Trade Commission Releases, July 8, 1965 and August 27, 1969.

3. No claim should be based upon survey procedures that the firm knows or has reason to know does not conform with accepted statistical principles, is reasonably free of avoidable bias and is based on a properly selected sample of adequate size.

The guidelines clearly charge broadcasters with the responsibility of ensuring that claims concerning their audience are not false or deceptive. Hence the need for an accreditation system that will enable firms to confidently rely upon the results of audience measurement reports. The industry led efforts to establish such a system followed the 1966 Congressional investigation. The Media Ratings Council is the product of that effort.

Based in New York, the Media Ratings Council is an industry-sponsored organization that seeks to promote audience measurement services that are valid, reliable and effective.<sup>15</sup> Only services that have disclosed their methodologies to the Media Rating Council are subjected its review process which includes an extensive procedural audit. Fourteen ratings services were accredited by MRC in 1998. (See, this Appendix K for list of accredited services and those whose application was pending). Two services were listed as pending in 1998: Scarborough and Mediamark Research Inc. (MRI). As of the date of this report, Mediamark has received MRC accreditation.<sup>16</sup> Scarborough's application remains pending, though it has reapplied to MRC for accreditation each year since 1995.<sup>17</sup>

Due to the impact of ratings services on advertiser decisions, station performance, and ultimately, programming available to the public, it is essential that rules concerning the use of statistically valid ratings services be vigorously enforced. Parties, including broadcasters who have had substantial amounts of advertising diverted away from them as a result of advertisers that have been mistakenly lead to place reliance upon flawed survey reports, should encourage the MRC, FTC and FCC to investigate these issues and strongly enforce the rules.

When determining whether a station is operating in the public interest, the FCC should examine whether its licensees are using accredited audience measurement services. In order to promote compliance with statistically accepted standards developed by the industry, the FCC should require stations to show cause why they are not using an accredited service. Further, if the broadcaster is relying upon a non-accredited service, they should be required to disclose that fact in a prominent manner to advertisers, ad agencies or others who are the recipients of sales promotions.

The industry can also take action through the MRC. Broadcasters should adopt a voluntary code of conduct that obligates them to use audience research services accredited by MRC. The code

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<sup>15</sup> Board members of the Council represent blue-chip radio and television broadcasters, cablecasters, print organizations, advertising agencies and industry trade associations.

<sup>16</sup> Albana Brunca, Media Ratings Council, Telephone Interview, December 17, 1998.

<sup>17</sup> *Id.*

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should also require that the use of non-accredited services to be prominently disclosed to advertisers, ad agencies and others reviewing such data.