

**Written Testimony of
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Before the United States House of Representatives Committee on the Judiciary
Hearing on: Trends Affecting Minority Broadcast Ownership

Thursday, July 9, 2009

Mr. Chairman and members of the Committee, on behalf of the 1,100 employees of Arbitron Inc. (Arbitron), I thank you for the opportunity to discuss the importance of instituting electronic measurement in the major U.S. radio markets. Arbitron, headquartered in Columbia, Maryland, is a publicly-traded media and marketing research company that has provided audience measurement data for 60 years, including measuring network and local market radio audiences across the U.S.

Arbitron is a part of the fabric of the radio industry, and we embrace the critical role and importance radio has in the community. We measure radio listening in 300 markets across the country. And we work every day with broadcasters and advertisers to prove the value of radio. Because radio is our business, we are committed to helping broadcasters – and especially Black and Hispanic-owned broadcasters – increase their revenue by using the rich tapestry of information about radio listening habits that our innovative electronic measurement system, the Portable People Meter™ (PPM™) service provides about radio listening habits.

Based on more than 16 years of research and technology development and consultations with broadcasters and advertising agencies, the PPM technology is a state-of-the-art electronic audience measurement tool for media and marketing research in the 21st century. Arbitron plans to use the PPM service to replace the current pencil-and-paper Diary in the top 49 radio markets. The Diary relies solely on a survey participant's recall or self-reporting. The PPM reports the radio station to which listeners are exposed.

The country is in the midst of a deep recession and radio stations across the country have been hard hit by the economic downturn. The current economic conditions have cut radio broadcast revenue across the board—negatively impacting markets with and without the PPM service (*Appendix 1, "Radio Broadcasters Revenue Q1 2009 vs. Q1 2008"*). In order for radio to survive, it must stay competitive with all other electronic and now wireless options by embracing a more electronic-based audience measurement system that provides advertisers with timely and granular listening estimates. Arbitron's introduction of the PPM service will level the playing field and help to prevent the migration of advertising dollars to competitors in the media already measured electronically, including television, podcasting and Internet streaming. It was the advertising and broadcast industries that asked for electronic audience measurement for radio. The PPM technology is our innovative solution designed to address that need.

Integral to any change of this magnitude is the need to work with all radio broadcast customers to ensure reliable representation of listening audiences. Since joining Arbitron in January of this year, I have continued Arbitron's regular and frequent dialogue with all of our customers, and have had ongoing discussions with members of the National Association of Black Owned Broadcasters and the Spanish Radio Association and other groups.

PPM As Compared With Diary

The PPM device is the size of a small cell phone. It is carried by survey participants and automatically records encoded inaudible radio station signals to which the survey participant was exposed in the course of his or her day. An encoder at each radio station inserts an inaudible identification code into the station's signal. There is no charge to the stations to activate this encoding and stations do not have to subscribe in order to be encoded and included in the estimates. Arbitron's encoding equipment and the PPM device do not interfere with or degrade the broadcast signal in any way. At the end of each day, each participant places the PPM device in a base cradle to recharge and send collected codes and compliance data through a hub in the home that transmits the data to Arbitron for use in the production of the PPM estimates.

Arbitron is in the process of bringing this electronic measurement service to the 49 largest radio markets by the end of 2010. The PPM methodology has already been implemented in 15 markets and Arbitron is intending to commercialize an additional 18 markets over the next six months. A key advancement of the PPM method over the Diary method is that it records listener exposure without relying on a participant's recall and is not subject to the tendency to put down his or her favorite station or program format and to round listening times (*Appendix 2, "Diaries Are Recall-Based"*). To measure this tendency, in 2003 and 2004, Arbitron conducted tests to compare PPM-recorded exposure against Diary self-reporting involving exactly the same persons. This comparison occurred one year apart in Philadelphia, PA (*Appendix 3, "PPM Captures Listening Exposure"*).

The results showed that these same participants listened to:

- Twice as many stations as reported in the Diary (6.3 versus 3.1).
- More than 70 percent more episodes of radio listening each week, but roughly half as long as reported in the Diary (36 minutes versus 83 minutes).

An additional study was conducted in Chicago, Illinois in 2008 with similar results. In the Chicago study, Arbitron asked participants to fill out a paper Diary during the same time period that those participants carried a PPM meter. The PPM estimates showed 74 percent more episodes of radio listening each week than reported in the Diary (23.3 versus 13.5), but each listening episode was roughly half as long (44 minutes versus 92 minutes). The PPM data showed 60 percent more stations (4.6 versus 2.9), and the listening start times in the PPM estimates were evenly distributed across the clock-quarter

hours, compared to the Diary estimates where 43 percent of all episodes started at the top of the hour and 30 percent of all episodes started at the half past the hour.

Not surprisingly, these differences are seen in the transition from Diary to PPM ratings. For stations and formats with extremely loyal listeners who tend to report long periods of uninterrupted listening in the Diary, such as Black and Hispanic-Owned stations, talk radio formats, and morning drive programs, the more reliable PPM reporting has seen ratings go down compared with Diary estimates.

For example, on WABC in New York, the ratings for Sean Hannity's talk show dropped 60 percent after the switch from Diary to PPM methods. The Nielsen Company (Nielsen) saw the same phenomenon when it moved from Diary to electronic measurement.

In measuring exposure by Diary or the PPM method, Arbitron continues to follow the recommendation of the National Association of Broadcasters' (NAB) Committee on Local Radio Audience Measurement, adopted in 1988. The NAB Committee determined that listening means any time you can "hear" a radio – whether you chose the station or not. This is what diary keepers are instructed to report. What the PPM technology provides is a near-passive, more reliable technique to detect and record "exposure" to any encoded station, as compared with the Diary service.

As a result of our introduction of the PPM service, it is important to note that many smaller stations that never showed up in the Diary are now getting credit for the audience they actually deliver. And stations that are using PPM estimates, as well as the tools and training Arbitron offers, are fine tuning their programming, resulting in rating improvements.

Fully Participating in MRC Process

In the 1960s, a subcommittee of the U.S. House of Representatives known as the "Harris Committee" undertook an extensive review of audience rating services and recommended that a voluntary, industry-organized body that would include independent audits of rating services was preferable to government regulation. This resulted in the formation of an industry-funded, non-profit organization to review and accredit audience rating services, now called the Media Rating Council (MRC).

The MRC is comprised of board members representing television and radio broadcasting, cable, print, Internet, advertising agencies, and media trade associations. Membership is based upon the potential member's business interests and payment of the annual membership fee. The core of the MRC's voluntary process are the Minimum Standards which are tied to external audits of rating services conducted by a team of independent auditors, a specialized practice of Ernst & Young in the case of Arbitron. Such audits are funded by the measurement service. These audit reports are detailed and voluminous and evaluate the audited service against the Minimum Standards. Arbitron fully participates in these annual audits of many of its services and is in compliance with the MRC's Minimum Standards. The PPM service is audited in every market prior to commercialization in that market.

The MRC process consists of two steps: an audit conducted by independent auditors and a review of the audit report by an MRC subcommittee comprised of board members. The company submits its service for accreditation and, after answering a detailed initial questionnaire, the audit is conducted. At that point, the audit is presented to an appropriate MRC subcommittee by the independent auditors without the presence of the measurement company. MRC members and staff ask questions, offer comments, and then decide on a course of action which may lead to more inquiries, meetings, or a vote. These are initial steps; any positive vote must be ratified by the MRC Committee for the medium (i.e., the MRC radio committee) and the full MRC board. In no way does the MRC process preclude a research firm like Arbitron or Nielsen from offering a new service technology prior to accreditation. Because the MRC membership is composed of private firms in competition with one another, the U.S. Department of Justice (DOJ) has indicated that the behavior of the MRC and its members are subject to scrutiny and possible antitrust violations. It is reasonable to expect members of the MRC board could vote to recommend granting or withholding accreditation to reflect their competitive interest.

In light of this potential restraint of trade, the MRC sought DOJ's approval for its proposed changes to its Voluntary Code of Conduct with respect to audit and accreditation of audience measurement services. DOJ's decision not to seek relief on antitrust grounds was based on the fact that the MRC "represented that [an audience ratings service] would not suffer prejudice by virtue of having commercialized its product prior to seeing accreditation."¹

If Congress were to decide to impose mandatory accreditation, it would be difficult for some emerging innovative companies with the next generation of advanced rating technology to enter this marketplace. It is important to note that MRC accreditation of an innovative technology market by market involves a significant investment of resources and money and takes years to achieve. There is no clearly defined timeline or benchmarks that an organization must meet in order to be accredited. Clearly, the result of government regulation would be outdated technology.

Arbitron is fully committed to the MRC process, taking major steps in seeking accreditation:

- Before commercializing the PPM service in Houston, Texas Arbitron sought and obtained MRC accreditation of the monthly average quarter-hour radio ratings.
- Since Houston, Arbitron has submitted to exhaustive and costly audits of its Radio First methodology, market-by-market, and obtained MRC accreditation of the monthly average quarter-hour PPM radio data in the growing Riverside/San Bernardino market.
- Arbitron has consistently sought MRC involvement with the PPM service in contrast with Nielsen, which offered its Local People Meter rating service for

¹ See Letter from Thomas O. Barnett, Assistant Attorney General, Antitrust Division, United States Department of Justice, to Jonathan R. Yarowsky, Esq. of Patton Boggs L.L.P, counsel to the MRC, dated April 11, 2008, at 4.

television in some instances without waiting for the completion of an independent MRC audit, and in many instances without waiting for any initial accreditation of this service for television markets.

Arbitron competes in the business of radio audience measurement. We welcome competition and do not create barriers to entry for other companies. Our license fees are a function of the market and are negotiated with our customers. Clients have chosen the preferred service provider model as evident by the recent client requests for proposals for the Diary and electronic radio audience measurement services. Specifically, in 2005, Clear Channel Communications Inc. issued a request for proposals to which more than two dozen potential competitors responded. Arbitron maintained that business by responding as any competitor would: better service, lower price, faster to market, more innovative, and wider acceptance. In response to a request by Cumulus Media Inc. for a new form of small market radio audience measurement, Nielsen and Arbitron submitted proposals among other competitors. Nielsen was awarded the contract and this year introduced its “sticker Diary” service for a number of smaller and mid-sized markets, which is in direct competition with Arbitron’s Diary service in those markets. Nielsen has the potential to expand its services to larger markets where it would compete head-to-head with Arbitron’s PPM service. Competition is alive and well.

Arbitron is a dynamic, forward-looking innovator that introduced an electronic measurement service in response to the request by broadcasters and advertisers for faster delivery of more reliable data. The PPM service is a significant investment by Arbitron which supports the growth, financial health, and competitive future of the radio industry. There is an inherent disruption with the introduction of any innovation, and the commercialization of the PPM service was no different. Stations have found, however, that once they transition to the PPM service, it is highly beneficial. This innovation was necessary to keep radio competitive in the media market place in the 21st century.

Providing A Representative PPM Sample

Arbitron is committed to ensuring reliable representation of all radio listening audiences. Moreover, as part of the continuous improvement of all of our audience measurement services, Arbitron has implemented specific initiatives for the recruitment and retention of Hispanic and Black survey participants. Arbitron supports Black and Hispanic-owned radio and the communities they serve.

The sampling approaches for the Radio First PPM methodology are largely the same as those for the Diary service. The Diary data are fully accredited by the MRC and enjoy wide-spread acceptance, including among some of the PPM critics. Under both services, Arbitron’s sampling methodology starts with the selection of telephone numbers by using the Random-Digit-Dial (RDD) method to ensure that both listed and unlisted telephone numbers have a chance of selection. From this initial sample frame, panel participants under both Diary and PPM methods are recruited in the same manner – through the use of telephone recruitment. The primary difference in the sampling approach between the two services is with regard to cell-phone-only households. Arbitron has taken extensive steps to include this growing number of households in the PPM sample. As a result, the PPM

sample frames cover over 95 percent of all U.S. households. Starting in 2009, the Diary service has also begun including cell-phone-only households as PPM has done from the outset.

In order to ensure the final sample represents key demographic and ethnic groups within each radio metro market, both PPM and Diary use a “stratification” method (widely accepted within the industry and with statisticians in all industries), in which households within the sample frame are sorted out by key geographic data, such as county, area code, zip code, exchange, and hundred block. This allows Arbitron to focus its recruiting efforts with geographic precision – reaching areas with historically low response rates and with large minority and ethnic populations. The PPM service includes additional stratification as replacement households are stratified by presence of a young adult and specific race/ethnicity prior to recruitment selection. With this method, Arbitron is able to ensure that the final PPM survey sample represents key demographic and ethnic groups.

With regard to sample size, the PPM methodology has some advantages over the Diary service by measuring survey panelists every day for a period up to two years, which generates far more “person days” of data than the one-week long Diary service for each metro media market. This allows Arbitron to sample fewer persons for each market while still providing customers with reliable listening estimates market by market. Because audience estimates represent averages of listening across a given demographic or age group, increasing the sample size would not deliver different station ratings. With regard to quality sample metrics, the PPM service reliably estimates the key demographic groups, including young adults 18-34, which for all survey researchers is one of the most difficult groups to survey. The representation of Black and Hispanic groups is strong. Arbitron would be pleased to provide this data for your review.

Since the commercialization of the PPM service in 15 major media markets, the sample performance metrics across these markets are strong for all age groups, genders, Blacks, Hispanics including Spanish-language dominant, and Other Persons (non-Black and non-Hispanic). Arbitron can also provide these metrics as well.

Continuous Improvement

In making these points, I want to be clear that Arbitron recognizes that there is always room for improvement. While survey research is based on social science and statistics, its implementation is subject to the human factor. With that in mind, Arbitron remains committed to continuous improvement of the PPM service just as we have invested to improve the Diary service since its inception. Arbitron has taken a series of affirmative steps, often with the invaluable input of both Black and Hispanic radio broadcast owners and advertising agencies, to improve the PPM service (*Appendix 4, “PPM Hispanic and Black Initiatives”*). Arbitron has also extended portions of agreements with the Attorneys General of New York, New Jersey and Maryland beyond those states and applied them nationally to all PPM markets. In summary, to highlight several key enhancements Arbitron has added:

1. As mentioned earlier in my testimony, Arbitron is increasing cell-phone-only (CPO) sampling in all PPM markets on an accelerated basis. While the National Health Interview Survey, conducted by the Centers for Disease Control's National Center for Health Statistics, provides the most comprehensive estimate of total CPO households in the U.S., the data only provide national or regional estimates, while the PPM estimates are based on individual market. Nevertheless, Arbitron is committed to having an average of 15 percent CPO households in its PPM samples by the end of this year. A particular focus is recruiting persons 18-34 as well as Hispanics and Blacks, identified in the CDC survey as more likely to be CPO households. Arbitron is employing an address-based recruitment method to the CPO households that offers greater coverage yet still remains in compliance with federal law, rather than the pure random-digital technique that was previously used.
2. Going beyond its agreements with the Attorneys General of New York, New Jersey and Maryland, Arbitron is providing zip code information regarding PPM panelists, including data on Blacks, Hispanics and Others for each individual zip code as each PPM market commercializes. This is an enhancement over the Diary service.
3. As a result of testing that Arbitron conducted in Houston, Los Angeles and New York during the first quarter of this year and at the urging of Hispanic broadcasters and advertising agencies, Arbitron will include a country of origin (COO) demographic to the data collected in its PPM sample that will begin to be reported in March 2010 in all Hispanic markets. Arbitron will provide interim reports with a distribution of installed panelists by COO for Chicago, Miami, Riverside and San Francisco in July 2009 and for Dallas, Washington, DC, Tampa, and Phoenix in November 2009. In addition, COO test market data for New York, Houston and Los Angeles will be provided in July 2009.
4. Arbitron has created a coaching program in which a personal telephone coach is assigned to certain households to provide more one-on-one coaching to increase the compliance and participation rates of those households.
5. Arbitron has initiated special recruitment incentives, compensation programs, compliance and retention bonuses to boost participation among key demographic groups including young adults and Black and Hispanic households.
6. Arbitron is providing greater transparency with regard to sample performance and other metrics for each of the PPM markets, which Arbitron's customers indicated they would find useful.

In Arbitron's submission of comments to the FCC's Notice of Inquiry regarding the impact of PPM, Arbitron has detailed how Black and Hispanic stations that have used PPM to make changes to their programming and promotion practices were able to recover and even improve on their former rankings under the Diary service. KBXX and KMJQ in Houston have shown gains in the PPM reports. In fact, what the PPM estimates show are increasing numbers of listeners tuning in to Black and Hispanic radio.

Arbitron is committed to and has already expended significant resources toward instituting a proactive and affirmative program to ensure that our sample surveys are a fair representation of radio audience demographics and that the methods are responsive to Black- and Hispanic-owned radio concerns. As we continue our dialogue with customers and other stakeholders, Arbitron expects that further improvements to the PPM service will be made.

The PPM service is a critical tool to help radio broadcasters – especially Black and Hispanic-owned broadcasters – weather the perfect storm of economic challenges they face. It will take the hard work of many stakeholders to help radio survive this storm. All of us at Arbitron are committed to work with broadcasters, lenders, advertisers, and advertising agencies to prove the value of radio in today's increasingly competitive media marketplace.

Arbitron welcomes the opportunity to work with you and members of the Committee.

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