# Testimony of Kathy Crawford,
# President of Local Broadcast
# MindShare
# before the Senate Committee on
# Commerce, Science and Transportation
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Good afternoon. My name is Kathy Crawford and I am President of Local Broadcast at Mindshare.

## A Global Leader in Advertising

MindShare advises some of the world's largest advertisers on what advertising programs to pursue. We manage all aspects of media investment, from strategy – including targeting and spending – through negotiation and placement of advertising.

We advise our clients on the best mix of media to enable them to reach their target audiences, whether via television, print, digital or on-line, out-of-home, radio, locally and nationally. Moreover, we negotiate rates and schedules for our clients, such as the most effective programming on specific stations or networks; the right magazines; or the most appropriate websites; so that they reach their targets at the best price.

In addition, we need to know that our clients are getting what they pay for. It's not enough to simply place an ad. We also have to be assured that it has run and that the right audience is being reached.

As President of Local Broadcast at Mindshare, I help decide what television stations our clients advertise on in the 210 local markets. In the last few years we have spent billions in local broadcasting. Nothing is more important to them than making sure their money is well-spent on reaching the right targets.

Advertising makes local television possible. Almost all local television revenues come from advertisers – the biggest companies in the world – trying to reach viewers, but the bill we are discussing today was not written with them in mind.

In fact, I am very concerned that this bill will make it harder for clients to buy advertising with any confidence that they are spending their money wisely. As I see it, the bill has negative implications not only for the Local People Meter markets, but also for all local markets. I believe it will make my clients far less willing to advertise with local television stations because we won't have the information we need to negotiate fair rates with the stations. Let me explain why.

**Nielsen and Television Ratings**

Today, Nielsen is the only research service in the U.S. that measures television audiences, both nationally and locally. There used to be two systems but the industry decided it only wanted to pay for one. With just one ratings service now, all of us in the industry are well aware of Nielsen's shortcomings and its strengths. That is why we work closely with Nielsen, and with our suppliers, to ensure that the methodology is sound. We also must be certain that its systems deliver the most accurate information as quickly as possible, so we can appropriately recommend to our clients how best to spend their ad dollars and can negotiate with the the stations based upon those ratings.

Because our industry is pro-active in seeking and demanding improvements in ratings systems, we are constantly working on how to better understand the changing media landscape.

The Local People Meter is a product of this industry-wide effort. Nielsen did not decide to offer LPMs in a vacuum. This was a collective decision reached by the entire television industry because advertisers were no longer willing to spend billions of dollars on advertising based on ratings from outmoded systems.

When measurement systems change, there always is some resistance as different methodologies yield different rankings and possibly change pricing structures. The national broadcast networks and national advertisers went through the same process in the 1980s when Nielsen introduced its National People Meter in response to industry pressures and the threat of competition from AGB. The difference then was that no one tried to roll back this progress through legislation.

## A Changing Television Landscape

Clearly, the business of television advertising has changed considerably since the Media Rating Council was established in 1964.

Back then, the only networks on TV were known by their initials – ABC, CBS and NBC – and local channels were all identified by call letters. Cable was still a young medium, heavily regulated to keep it out of the top 100 markets. And the first communication satellite – Telstar – had just been launched two years before.

Moreover, no one in the industry at that time could even have imagined the concept of time-shifting, when people can watch a particular show when they want to, not when the networks program it for them.

In short, when the MRC was created, broadcast was synonymous with television.

Obviously, that's no longer the case. Today, there are scores of cable networks with more expressive names like Oxygen, Spike, Black Entertainment Television, Galavision, as well as local cable channels appealing to many more ethnically diverse portions of the community. Each caters to very different audiences, and myriad advertisers and their agencies work very hard to reach them.

The skies are filled with satellites beaming programming around the world. And everyone in the industry is familiar with Video on Demand and Digital Video Recorders such as TiVo.

With the proliferation of cable and satellite, television viewers have more choices than ever before, and this certainly has affected ratings. Viewing has not declined but it is now spread among more program sources, resulting in lower ratings for some broadcaster networks, and many more cable networks getting some ratings were none had previously existed. Advances in technology also have given people many more options beyond television, including the Internet, mobile phones and video gaming.

**The Role of the Media Rating Council**

As the television universe expands, my clients – the major advertisers – demand the most accurate and reliable ratings system possible.

American television today is the best measured advertising medium in the world. It is the only U.S. medium that uses electronic meters, which are far more accurate than the diaries that measure radio or the surveys that measure newspapers and magazines.

But I am concerned, Senator Burns, that your bill, by giving the MRC membership the power to block new technologies and new services, will turn back the clock on the progress we have made in developing an effective television ratings system.

The MRC staff is composed of business professionals whose job include making sure that the ratings that are used in the industry meet the highest standards for accuracy. They do this by insisting on transparency to all the participants in the market, reviewing independent audits and working with measurement services to adopt better technologies and more rigorous procedures.

However, there is no question that when MRC members vote on whether to approve new technologies, they always, to some degree, consider the impact on their own bottom line. Ironically, this resistance to change makes local broadcasting a less attractive option for my clients.

As it's currently constituted, the MRC is still dominated by broadcasters. In some cases, large broadcasting companies – through their co-ownership of broadcast networks, cable networks, broadcast stations, studios and syndicators – have as many as four or five votes each, while cable operators, advertising agencies and advertisers each have just one.

This means that just five or six major media companies could work as a bloc to delay ratings systems that would hurt their bottom line.

This is not speculation. If your bill were in effect today, Nielsen would have been prevented from introducing Local People Meters in the country's largest media markets even though the information they are producing there is much more accurate than the meter/diary systems they replaced.

There is no question that LPMs are a superior ratings service. They have larger samples, including more African American and Hispanic households; they better represent the communities they measure; and they provide the immediate demographic data that my clients need to make advertising decisions. Yet in New York, for example, the MRC still has not accredited the LPM service, even though it was ready to be introduced almost 15 months ago. How can this be?

**Fault Rates Are a Red Herring**

Over the past year, we've heard a great deal about LPM fault rates. I believe this has been a red herring – an excuse to delay accreditation.

First, fault rates are only one measure of sample quality – and not the most important one. The composition of the sample and the acceptance rate are all equally if not more important. However, all pale in comparison to the sample size and the superior data collection technology that LPMs use.

But the real reason I believe fault rates are a red herring is that many of the MRC members who now complain about fault rates in LPMs regularly voted to accredit meter diary systems in which "fault" rates were even higher – not only for the overall market, but for people of color too.

Indeed, on a comparative set-to-set basis, fault rates have consistently been higher in metered/diary markets than Local People Meter markets. What's more, while there are no exact comparisons for diaries, as many as 14 percent of diaries returned to Nielsen cannot be used – the equivalent of faulting in diaries. And then of course there are those diaries that are never returned at all.

If MRC members are so concerned about fault rates, how did those meter/diary markets get accredited? Did the fact that broadcasters' ratings are higher under the diary than under LPMs have anything to do with this?

Like the broadcasters, I too am concerned about fault rates in Chicago and New York, but I am also concerned about fault rates in Glendive, Terra Haute, and Tallahassee. If the MRC sets impossibly high standards for LPM markets, how can they justifying setting lower standards for non-LPM markets?

**An Unworkable Bill**

In short, I believe the bill is unworkable.

As I noted earlier, the MRC was created to deal with a television industry that, essentially, no longer exists. TV audiences today are becoming more diverse, subdividing into ever-smaller segments. In response, newer networks and channels are emerging to better serve these niche markets. Instead of 4-6 channels, the average U.S. household now receives in excess of 130 channels.

At the same time, the viewer is becoming the boss. Growing numbers of people are using digital technologies to choose what, when and how they watch.

In other words, we need an accreditation process that is fast, fair and efficient. None of which is attainable under the pending legislation, because the MRC was not created to be an objective standard-setting organization.

The MRC should however serve its traditional role as a forum for the industry to improve the overall performance of the measurement services. To that end I believe the MRC's voting procedures need to be seriously overhauled. Senator, I know you support the concept of one-person/one vote and I assume you do not believe it is fair for one company to have five votes and another to have only one.

If you try to change the MRC from an industry group working to improve the services offered, and try to make it a more regulatory body, we would have to consider whether anyone with a stake in the outcome of the votes should be in the MRC at all, given their incentive to vote their own self-interest. And if the MRC has a different membership structure, who would choose the members and who would they report to?

Finally, what would an overhaul like this cost and who would pay for it?

In a free market, broadcasters, cable operators, advertisers and their agencies, among others, should be willing to foot the bill if they believe such changes are feasible and beneficial. Just as they should be willing to pay for more than one rating service if they think that's a practical solution.

Still, as we've seen in the past, the broadcast industry has been unwilling to help finance more than one service. That's too bad, because I, for one, would like to see more competition in the ratings business. I think it would be good for all of us, including Nielsen, because it would drive innovation faster and further.

But legislation won't achieve that goal. To the contrary, this will effectively ensure that Nielsen never again ever faces any competition.

No company would invest the vast amount of time, resources and dollars needed to start a measurement service if they knew it could remain idle for a year or more – generating no revenue – as MRC members debated its fate. What potential Nielsen competitor could afford that?

**Trying to Legislate a Business-to-Business Issue**

I believe this legislation stems from a disagreement on the accuracy of ratings reporting in certain markets and among certain audience segments. It proposes external, mandatory regulation of a system that is in many ways self-regulating, where participants themselves – buyers, sellers, stations – engage in ongoing dialogue about the system.

Underlying our dialogue is the agency's responsibility to its clients, and ultimately the clients' responsibility to its customers (the same customers the television station is trying to reach with its programming). Also important is the broadcasters' responsibility toward dual constituencies: the viewers as well as the advertisers. Consequently, it is in everyone's best interest that the public is served.

What we have then is an industry research dispute over whether Nielsen's methodology accurately reports the size of the audience and how these procedures might be improved to more accurately report viewer behavior.

It is not a question of whether a broadcaster is serving the public interest. Rather, it is a matter of whether the yardstick by which audiences are measured does so accurately. Not acknowledging the relationship among advertisers, audiences, and broadcasters would dampen the dialogue that seeks to improve the system.

**The Free Market as the Solution**

The founders of the Media Rating Council couldn't have predicted what television would be like in the 21st century. But they did have the foresight to explicitly reject government oversight because they recognized the negative impact on innovation and competition.

That, at least, has not changed in over forty years.

Attempts to roll back the clock by eliminating systems like Local People Meters, or by slowing down the development of new technologies that measure time-shifting and on-demand services, will not stop change.

Is this regard, are current television ratings fully adequate? No. Is there room for improvement? Always. But innovation cannot be mandated by the government. In fact we've seen many times in the past that when the government tries to interfere in the private sector – no matter what its good intentions – it usually makes the situation worse.

The MRC has played an important role over the past 40 years in making television the best measured medium. Like any other institution, it can operate better. But I believe the members of the MRC – as private businesses operating in the free enterprise system – can certainly work out for themselves how to make the organization more effective.

Thank you.

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