

Testimony of Gale Metzger
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before the
Senate Committee on Commerce, Science and Technology

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I am Gale Metzger. My first professional job was with the A. C. Nielsen Company. For 32 years, I was President of Statistical Research, Inc. a media and marketing research company that I founded with Dr. Gerald Glasser of New York University. I have been active in the industry and served as Chairman of the Board of the Advertising Research Foundation and President of the Radio and Television Research Council and the Market Research Council.

In 2001, SRI was sold in two parts. Our network radio measurement service went to ARBITRON and the other operations were sold to Knowledge Networks, Inc. – a firm I continue to work with as a senior consultant.

For 48 years, I have been engaged in media research. Over 40 years ago, I participated in the 1963 Congressional Hearings as a Nielsen behind-the-scenes overnight supplier of answers to questions posed by congressional staffers. Fifteen years ago, at the request of key industry stakeholders, our firm (SRI) conducted an in-depth review of Nielsen's newly introduced people meter system which resulted in a seven volume 600-page report. Nielsen called that work "an outstanding effort" and the industry characterized it as a blueprint for progress.

SRI conducted methodological research for the industry for over 30 years. In the 1990's we created and operated a ratings laboratory under the name of SMART. SMART was an acronym for Systems for Measuring And Reporting Television. All of that work was dedicated to understanding and improving measurement methods. The SMART laboratory was successful in developing new, user-friendly TV meters and in providing audience data to client desktops along with analytic software to enable use of ratings information for business decisions on a timely basis. In 1999, SMART was proposed as a competitive system to Nielsen. The necessary capital to launch the service, however, was not forthcoming.

In January of this year, I was asked by the Advertising Research Foundation to provide a historic overview of TV audience measurement in the United States at a special meeting it convened on the topic of Accountability of Audience Measurement. I am submitting the paper provided there as an addendum to my testimony today.

I appear today representing my own views and interpretations of current events in the television audience measurement business. I have no lawyers, no public relations people

or anyone else behind me telling me what to say. I speak from a lifetime's experience and a deep commitment to the understanding that research quality makes a difference. Good information helps markets work better; bad information undercuts business performance.

I will briefly address three general points.

- First, the role and value of the MRC to the audience research business.
- Second, why we are here? Why is legislation being considered?
- Third, the need for action to enable the television ratings process to facilitate rather than frustrate the marketplace.

Media Rating Council

I was present when the Broadcast Rating Council, now the Media Rating Council was formed. I participated in the debates around the operating rules and helped with drafting the disclosure standards that are part of the MRC protocol today. I was the person at Nielsen who was responsible for structuring the first audit of Nielsen. In later years, SRI provided a syndicated audience measurement service to the radio industry, RADAR, which service was audited by the MRC for 30 years. I have deliberated and consulted with MRC executive directors for over 40 years.

The MRC serves a vital role in our industry. By assuring disclosure of research company methods and by auditing the accuracy and completeness of disclosure, the MRC enables an informed market. An important byproduct of its work is to encourage innovations and improvements in methods. MRC reporting and tracking of key quality indicators, appropriately and constructively pressures research companies to rectify weaknesses.

When I was working at or owned a service that was being audited, the MRC helped me do a better job. Totally independent, it gave research company management an objective quality control report. When I was at Nielsen or in my own business, I was paying an audit firm and I wanted maximum value from that expenditure, just as any other expense. Hence, there were occasional discussions between the researcher and the auditor around the audit plans and the most effective use of audit resources. There was a healthy dialogue, and as a result audit operations were improved.

I have always believed that audit reports should be open and available to all clients whether or not the clients were members of the MRC. I was happy to show my audit reports to my clients. All media rating systems are frail, sometime more so than we practitioners like to admit. We manufacture numbers (statistical estimates) that have broad business and social implications. We use methods that are subjective and often less than ideal. To use information from these systems intelligently and effectively, users need to know all. And they need to know before the data hit the marketplace, not after.

Hence, I agree with the intent of the proposed legislation which is that all services providing marketplace currency be accredited by the MRC. I understand that Nielsen has expressed objections to the proposals and stated that the proposed plan would lead to less innovation and less competition. First, it would be difficult to have less competition or less innovation than we have now. Second, it is my impression that Nielsen has become a reluctant participant and not permitted select components of their services – new and old - to be examined by the MRC process.

During the Congressional Hearings in 1963, Nielsen clients were incensed because they were unaware of some Nielsen procedures disclosed at the hearings. There is a principle that characterizes all successful service businesses – keep your clients involved and informed. Never surprise a client. I believe it is in Nielsen's and the industry's best interest to embrace the intent of this legislation. I further believe that complete coverage of all services was what the industry committed to achieve in testimony before the Congress in 1963.

An important change in the industry structure over the past 20 years has made the MRC industry role even more important today. When the networks effectively dominated the national television arena and were permitted to work together on issues related to research methodology, there was a balance of power between Nielsen and the networks. With a fragmented medium, no single client or group of clients wields that much influence. In effect, if Nielsen does not answer to the MRC, it answers to no one. I believe this explains, in part, their new, more aggressive posture with the MRC.

Nielsen and others may have particular points about the legislation that warrant discussion. I am confident that details can be worked out to the benefit of all, if we have sufficient desire on the part of all concerned parties to do so. That has apparently not been the case for the past year, so I think I understand the reasons why Senator Burns introduced his bill.

Why We Are Here

I submit that we are here because Nielsen clients feel they are hostages to a company that controls their basic well-being; further, that Nielsen operations are deficient in important regards and those deficiencies jeopardize the clients' businesses. This is not a manufactured controversy; there is a real problem. We are not here because of normal, expected competitive posturing. I do not defend the actions of some media companies, but I recognize their actions as a response to dealing with a monopolist who is unresponsive to the fundamental issues. When emotions run as high as they currently do among a large share of the client community, you know something here is not right.

The industry's natural response should be to work quietly with Nielsen to improve. Nielsen is the industry's nest and a bird does not foul its own nest! Agencies do not want to say to advertisers that I am spending your hundreds of millions of dollars on meaningless numbers; nor do the media want to say to advertisers that I am taking your hundreds of millions of dollars on meaningless numbers. So while the industry has often striven for a constructive response, Nielsen simply does not react. I believe that Nielsen has been its own worst enemy in thwarting a constructive dialogue.

Evidence of the industry's efforts to bring improvement include the networks support of SRI's methodological research, the support of CBS and others of the AGB initiative and more recently, the support of thirty networks, advertisers and agencies for the SMART ratings laboratory.

Nielsen deficiencies are several and significant. Perhaps the broadest complaint is that Nielsen is not responsive on data quality issues and to client concerns – unless the threat of competition is raised. The people meter was introduced by Nielsen in 1987 only after a British company AGB tried to enter the US market with a similar meter. Nielsen's new A/P meter was announced in 1995 when the SMART laboratory was in process. It was noticed by all that when SMART went away, the introduction of the A/P meter was delayed. Ten years after the fact, the A/P meters have just begun to roll-out.

The A/P meter involves changes in Nielsen operations. Research should have been conducted to know how best to proceed. When SMART was in operation, Nielsen published a copyrighted research plan that was well framed. After SMART went away, the plan was forgotten and the industry is now faced with core operating procedures that are effectively untested and unproven.

In sum, clients will tell you that when competition or the threat of competition is present, Nielsen is a different company than when, as now, there is no competition.

A more specific deficiency is Nielsen's metering technology. It has not kept pace with modern media. That means Nielsen has been unable to measure many new forms of TV receivers. As a result, homes that are selected to be in their samples are passed over and other homes with only old technology replace them. For example, in the Nielsen People Meter system today, you are not counted if you have a TIVO – or any other Digital Video Recorder (DVR). Your neighbor who does not have a TIVO takes your place in representing America's viewing. TIVOs have been around for six years. Nielsen says they will meter and report usage in DVR homes tomorrow. Tomorrow remains elusive. We are moving rapidly into the 21st century with aging 20th century technology.

The high fault rates in the Nielsen sample is further evidence of their out-of-date technology. A fault is what the name implies. It means that some homes that do have meters are not processed, are not counted, because something is wrong with the data from that home. Faults have been around forever. Current fault rates in Nielsen Local People meter samples are high because the meters are not state of the art. The fault is with the meters and how they operate; the fault is not with the home or the people in it. Our goal in the SMART laboratory was to reduce fault rates to 5% or less. Though the target level was not achieved before the lab was dismantled, we were gaining on it. In fact, we were under 10% - and my engineers assured me that we would get there.

Are Nielsen's new systems better than the old? Are the audience estimates with the samples omitting bypassed and faulted households more accurate? The truth is that no one knows and that is disconcerting. What is known is that Nielsen is producing more data and generating more revenue than ever before. Perversely, Nielsen reports they are beginning to measure TIVO households under the old local meter/diary measurements.

Data access is another core deficiency of Nielsen. Data access is an important component of quality. The best information is of no value if you cannot get to it. Clients cannot access the information they need to make business decisions on a timely basis. Nielsen analysis has always been slow and expensive. They place a tourniquet on information flow by their ineptness and cost. SMART showed the way as to how to do it better. Nielsen has not seen fit to open up the process to allow effective use of their information.

Nielsen weighting procedures are another point of contention. With an unweighted sample, all people count the same. Weighting a sample means that some people count more than others in the statistical process. There are several good reasons for considering weighting. The issue here is that Nielsen has changed its attitude toward weighting which they had touted for fifty years. The old position was that the sample should not be weighted for demographic characteristics because a pure probability sampling approach was superior. The new position is a 180 degree shift. Nielsen virtually recommends weighting on every variable. The problem is that when a statistician advocates weighting, there is an implication that the resulting data quality are improved. Nielsen's arguments for weighting are novel, unproven by independent research and to my knowledge not supported by theory.

My conviction is that they should have introduced some kinds of weighting years ago. Statisticians agree with judicious weighting while being concerned about the abuse of weighting. It is like putting a new coat of paint over old wood. The resulting weighted sample may look better but the nonresponding households are still missing.

The real problem with each of these and other deficiencies is that they all affect audience levels. That means that some audiences' ratings are higher, and some lower, than is the reality. Some organization's bottom lines are improved and some made worse.

That observation leads to the last deficiency that I cite today. Nielsen is almost cavalier about making changes in procedures. I know from experience that two actions can turn a marketplace on its ear. If a pricing formula is changed such that some pay more and others pay less than previously, turmoil will be assured. Similarly, if measurement techniques are changed, some audiences will be greater and some lesser than before. The real audience will not have changed but the reported audience changes. Some win; some lose.

The only way to prepare for such events is to communicate planned changes with evidence on the benefits to the industry and to supply an abundance of data (including parallel measurements, if necessary). This would enable the industry to prepare for an orderly transition from one operating frame to another. To force feed a change invites disaster. That is what Nielsen effectively did, and they reaped what they sowed. Nielsen publicly proclaimed their shock, their dismay and surprise at the industry reaction to the way in which the LPM was introduced. Such reactions to me speak of posturing or a lack of understanding of their clients' legitimate concerns.

Need for Action

In connection with the 1963 hearings on ratings, Chairman Harris of the House Committee on Interstate and Foreign Commerce referred to the ratings industry as being in an "intolerable situation." Many today also feel that the situation is intolerable. Something must be done to bring balance to the relationship between Nielsen and the industry it is supposed to serve. As with economic trends, I do not believe this can go on forever. If an economy is constantly in deficit, that economy eventually collapses. Some believe that because it is so difficult to bring improvements into this system that it too will eventually collapse. The wheels will come off the bus.

I see confusion in the marketplace about the nature of the problem. More data does not equal better data. Also, it is unfortunate that a large part of the discussion about the LPM has focused mainly on minority-measurement issues. I do not believe the problem is associated only with minorities. The key independent variable with respect to meter performance is the number of TV sets in the home. More sets equals more problems and more faults. That is due to an out-of-date meter platform.

In the late 60's and early 70's, SRI did several comparisons of Nielsen and ARBITRON data. Clients complained that one service favored their competitor or visa versa. Often, the differences were random and a function of small sample sizes. Yet people thought they saw patterns. I believe there is more speculation and political positioning going on than solid data analyses.

I know about minority measurements. For over 25 years, we served the National Black Network and Sheridan Broadcasting as part of our RADAR service. In the early 70's, we produced special measurements of Spanish audiences in the New York area which P&G (uncharacteristically) urged their agencies to use in buying NY Spanish television. Measurements for minorities should be judged by the same quality guidelines and subject to the same audit review as are all other media audience measurements. While I believe audience measurements should be inspected for all important population subgroups, I do not believe race or ethnicity is the primary issue with the LPM.

I believe the issue is how a monopolist relates to its clients. The issue is whether these Nielsen ratings data, when used as the currency, is really funny money. We just do not know enough today about the Nielsen research quality.

Nielsen has a difficult task. But syndicated services exist here and around the world without the acrimony and anger that characterizes the US television marketplace. I believe Nielsen has the ability -- and needs to find the will -- to serve its market proactively. At the end of the People Meter review in 1988 we recommended that Nielsen concentrate on three initiatives:

- Defined procedures and quality control
- Methodological research
- Client Involvement.

Nielsen seemed to endorse those proposals and I hope they may reinspect their position today and truly strive to work with the industry openly and forthrightly.

Whether this proposed legislation goes too far or not far enough I shall leave for others to judge. Like most others here, I believe a voluntary industry solution is the best one. But failing that, legislation may be the only way to get Nielsen to the table, and I think this bill is the right way to go. I am absolutely convinced that something must be done.

A disclaimer: some of the points articulated herein (e.g., the discussion of weighting) are simplified for purpose of clarity. The author trusts that the thrust of the discussion is clear.