



TO: All Program Directors
All General Managers
All Sales Managers
All Group Heads
All Owners

FR: Steven Goldstein
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RE: Arbitron/Coleman Study

One of the more buzzworthy sessions at the recent NAB Convention was the Coleman/Arbitron study, "What Happens When The Spots Come On." It's a provocative look at actual behavior before, during, and after commercial stopsets. Clearly, we have long debated the impact of commercials on moment-to-moment listening, and now we finally have some evidence of their impact on listening. This study will clearly be much-talked about, and working with Saga's Steve Goldstein, we have put together some thoughts about its meaning and implications.

What the Commercial Study Means **October 2006**

By Steve Goldstein & Fred Jacobs

In an effort to clarify the results of the recently released Coleman/Arbitron study, "The Impact of Commercials on the Radio Audience," we have put together the following Q&A article. Steve's experience as President of the Arbitron Advisory Council, and Jacobs Media's work with Arbitron over the years, brings together two broad perspectives on the ratings and their implications on the stations they measure.

1. Since most people stay through the commercials, can we add more?

The study in no way says that people like commercials or will tolerate more. The perception of this industry among listeners and advertisers is that we are over-commercialized and that we run too many spots. Because the study shows that many listeners do not change stations, it should not be interpreted as a listener endorsement for more commercials. Most people are listening to radios in workplaces, at home, in stores, etc. - places in which changing stations is more difficult. This study does not contradict what we have seen in our strategic studies, and importantly, what we hear from our friends, neighbors, and clients – people think we play too many commercials.

In fact, a case might be made that over time, less commercialized competitors – like iPods (60 million owners), satellite radio (12 million subscribers), Internet radio (20 million estimated) – will gain even *more* traction as a result of the perceived over-commercialization of terrestrial radio stations. Adding more commercials to an already cluttered product would intuitively exacerbate the problem of consumers seeking content and entertainment elsewhere.

It's also worth noting that this study does not account for people who may already have left radio and chose not to participate in the PPM process.

2. How should we be using this new study as it applies to our programming in a diary-centric world?

There's no question that because PPM measures actual listening behavior, stations will need to rethink commercial placement, load tactics, and other common strategies. But for the foreseeable future, most stations are still going to be measured by diary-methodology. The diary and the Personal People Meter are significantly different ways of gathering listening information. The PPM is measuring *actual* listening, while the diary is measuring *recall*. Thus, these findings have limited application to the diary environment.

This initial PPM data shows that listener retention is better than many in the industry believed. That's good news. Meanwhile, the diary is all about voting, and the hurdle is much higher. Image counts more. That's why a station's image for "getting back to the music faster" or "10-in-a-row" or even being the "news/talk leader" can be so important. Winning "hills" is still critical in a diary-centric world, and will likely be important in a passive measurement future.

3. Is there a difference between tune-out at home or work vs. in-car?

This study does not differentiate between in-home, at-work, or in-car listening. If this study were merely analyzing in-car listening, the results would most certainly show a dramatic increase in button-pushing.

4. Do all age groups act the same when it comes to tune-out?

The study clearly illustrates different behaviors based upon age. Arbitron has already indicated that older listeners, by and large, change stations less frequently than their younger counterparts. In fact, the narrative in the Coleman/Arbitron study reports that younger listeners are simply more fickle.

5. What about the AM/FM listening differences in PPM?

It could be inferred that because older listeners dominate AM radio listening, there's less button-pushing on the AM band. Conversely, there's a strong likelihood that FM listening is beset by more station-changing listening patterns. We will not have confirmation on this supposition until more discreet data is released over the years by Arbitron. But, our strong sense is that had the Coleman/Arbitron study been focused exclusively on FM stations, commercial break listener retention would most certainly have been lower.

6. What about specific tactics, like "10-in-a-row" or "back in 3 minutes or less?"

The study does not address the success or failure of specific station music quantity schemes. It lumps all stations together. We don't know, based on the Coleman/Arbitron study, which of these tactics may have traction in a PPM world, and how execution impacts their success. If these music quantity platforms make sense for your station in your current competitive environment, there's no specific evidence in this study that would compel you to alter your tactics.

7. But the bottom line is that commercials aren't as bad as we thought, right?

On the surface, this would appear to be the case. But, the study does not isolate heavy listeners, format listening, or any of the other variables necessary to draw hard and fast conclusions. What the study does clearly show is that the retention of the listening audience is demonstrably better than conventional wisdom suggested. It does not mean that listeners enjoy commercials or will tolerate more of them. It does, however, indicate that in many situations, there is less tune-out than was feared.

8. What's the best way to use this study?

Our belief is that sales departments will benefit most from the Coleman/Arbitron study. This study is a tremendous endorsement for radio as an advertising medium. The analysis strongly suggests that the common belief that the 5th commercial in a 6-unit break isn't being heard may not be the case. This should help sales reps through some difficult pitches, because the study suggests that degradation of audience over the course of a stop-set isn't as steep as commonly thought.

And overall tune-out is much less than what advertisers perceive. Given television's challenges with TiVo, significant questions about the low click-through rates on banner ads, and the multitude of problems facing newspapers, this study is a great sales piece for radio. It is the first empirical view which shows that, in the main, listeners stay with commercial breaks of varying lengths. Furthermore, it reinforces the notion that while commercial clutter remains an industry-wide problem, radio must concentrate on improving its image as an effective advertising medium, and this study is a significant tool in that arsenal.

We hope this covers the basics. Please send any questions or comments to us at:

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