

Prepared Testimony
of
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Vice Chair of the Association of Hispanic Advertising Agencies (AHAA)
and
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before the
House Committee on Oversight and Government Reform
December 2, 2009
Hearing re: Portable People Meter (PPM)

Thank you for the opportunity to address the House Committee on Oversight and Government Reform regarding the serious challenges and repercussions of the roll out and use of Arbitron's Portable People Meter (PPM) data. I am Jessica Pantanini, vice chair of the Association of Hispanic Advertising Agencies (AHAA) and COO of Bromley Communications, an independently owned and Hispanic-specialized agency headquartered in San Antonio.

On behalf of the Hispanic-specialized advertising industry, we appreciate the committee's consideration of our concerns regarding the devastating implications of the continued use of PPM's unsound statistical data. If the methodology in question was sound, it already would have been accredited by the Media Ratings Council (MRC).

PPM sampling methodology is critically flawed and the destructive results of poor sample quality and size could wipe out an industry that has flourished for more than 30 years.

About AHAA:

The Association of Hispanic Advertising Agencies (AHAA) is the national organization of firms that specialize in marketing to the nation's more than 46 million Hispanic consumers. Hispanics are the most rapidly growing segment of the American population and Census projections indicate that several states will soon be majority minority.

AHAA represents nearly 98 percent of the Hispanic-specialized agencies in the U.S. and more than 100 related industry suppliers such as research firms, media companies, production companies, etc. The organization was founded to promote the strength of the Hispanic marketing and advertising industry to the private and public sectors. Its mission is "to grow, strengthen and protect the Hispanic marketing and advertising industry by raising awareness of the value of the Hispanic market and enhancing the professionalism of the industry."

Underscoring the professionalism that drives the association, the nearly 100 AHAA member agencies adhere to common Standards of Practice based on honorable principles such as integrity, excellence and character. These standards validate the seriousness of our organization and the importance of issues such as reliable media measurement in execution of these standards.

AHAA agencies offer a unique blend of cultural understanding, market intelligence, proven experience and professionalism that delivers Hispanic market success for advertisers. We help organizations gain market share, increase revenue and grow profits by connecting with and delivering messages that reach America's Hispanic consumers – an audience with estimated buying power of nearly \$1 trillion. Our industry was built by pioneers and visionaries that today represent more than \$5 billion in advertising investments: a significant portion of which is dedicated to radio. According to Ad Age, of the \$4 billion in measured Hispanic media spending, \$751 million is allocated to Hispanic radio.

Our agencies have fiduciary responsibilities as stewards of their clients' money, and as the representative of these agencies, AHAA has a responsibility to ensure the legitimacy of PPM audience representation. Our organization and its members are committed to bringing about necessary change and valid measurement of our consumers.

Purpose of Statement:

I am here today because the Hispanic-specialized advertising industry is facing severe consequences resulting from the implementation of PPM currency. My testimony here is the culmination of numerous attempts and years of effort and resources to resolve sampling methodology challenges with Arbitron unsuccessfully.

We have two member agencies represented on Arbitron's Advertising Council who, along with other council members, have been articulating these same concerns repeatedly for more than two years. Last year, AHAA established a PPM Task Force comprising representatives from 14 agencies and media companies. The task force was charged with reviewing PPM pre-currency and developing a list of issues to review with Arbitron. Several meetings and conference calls yielded reams of statistical data from Arbitron but no comprehension of the industry's very sincere and crucial issues.

On September 2, 2008, the AHAA Board of Directors voted unanimously to join the PPM Coalition and join the emergency petition to the FCC. Additionally, AHAA leaders have met with members of Congress in key markets to urge their involvement in mandating reform. On May 21, 2009, AHAA leaders met with Arbitron CEO Michael Skarzynski and his senior management team to express the industry's concerns and frustrations in-person but our fundamental requests were denied: 1) to gain MRC accreditation; 2) to provide dual currency reporting (PPM and diary) until accreditation was gained; and/or 3) to stop the roll out of additional PPM market until receiving accreditation.

Our goal is to ensure that radio sampling methodology is reliable and fair so that AHAA agencies and members can adequately deliver consumers — and ultimately sales — for advertisers. We depend on the independent endorsement of accrediting bodies such as the Media Ratings Council (MRC) to provide us with the confidence we need to make appropriate media buying decisions. Because our membership represents a growing but smaller portion of the market as compared to general market agencies and radio broadcasting companies, we don't have the resources to verify data collection methods and analysis on their own which is why we rely so heavily on organizations such as the MRC for validation of accurate audience representation.

There are two points that I would like you to know:

- 1) We support electronic measurement. We believe whole-heartedly that the industry needs to move in that direction; and,
- 2) While we may only represent a handful of Arbitron's clients, we are the one's that have a vested interest in the accurate measurement of minority audiences: that's our bread and butter.

The bottom line, however, is that Hispanic listeners are being represented inaccurately by Arbitron. While Arbitron is making great leaps in rolling out PPM, they are making small improvements such as increasing the number of cell-phone only households. However, those changes are insignificant compared to the damaging impact the roll out is having on our industry. We need sustainable change and improvement to the sample now — before additional markets are converted to this currency.

Radio is a critical element of our marketing mix and has been the backbone of our advertising outreach for decades. We rely on accurate audience measurement to guide our buying decisions and recommendations to clients. In a recent survey of AHAA member agencies, results indicated that PPM generally is inhibiting media professionals from effectively planning and purchasing radio for their clients. Inaccurate ratings are forcing agencies to recommend radio for advertisers based on historical knowledge of the stations' performance which is not a sustainable effort. It takes more time and requires additional manpower. Furthermore, clients will only tolerate this for a short period of time as they are accountable to their management.

While agencies are just beginning to feel the impact of PPM, our recent survey results indicated that advertisers are beginning to question the reliability of radio to deliver sales. The PPM ratings are not representing the buying audience and therefore agencies are using and recommending other mediums such as television.

Ethnic stations that were once top ranked have dropped significantly in their reported audience levels in PPM markets. Now, one could say that this is simply a result of moving from a diary instrument to a PPM instrument. Arbitron would like everyone to believe that that is in fact the case. They will tell you that they used the same methodology they had in place when diaries were the instrument; with the exception of

Houston — the only MRC accredited market. However, this is similar to taking the engine out of an old VW and putting it into a brand new Ferrari. When you put a more precise instrument on a flawed methodology the flaws become more apparent.

Radio stations, as a result, are dropping their rates because they can no longer justify charging the same amount for smaller audiences. According to specific client guidelines, some stations no longer qualify to be purchased. Additionally, Univision's decision not to encode until PPM is accredited by the MRC is making the job of media buying even more difficult. The data for entire markets is unusable and stations will be cut out of buys completely.

When the option of Hispanic radio is eliminated, unlike other markets, choosing an alternative format is not a consideration when trying to reach certain segments of the Hispanic population.

The agencies are caught between a rock and a hard place. Advertisers hire agencies to develop the most effective schedules possible in a market in order to drive sales. If an agency can no longer purchase a station due to its declining audience levels, as reported by Arbitron, the agency has no choice but to leave them off the schedule. Subsequently, the agency is forced to develop a buy that will result in fewer sales than a client expects and it is likely that the client will begin to reassess their strategy and discontinue their efforts to advertise to these minority audiences.

The decision, by Arbitron, to not properly invest in these segments to ensure proper measurement of these audiences is having a detrimental effect on broadcasters, agencies and advertisers. Additionally, the long-term effects PPM's faulty ratings and methodology will have on the communities these broadcasters serve is eminent.

Conclusion:

We need your help. Stop the commercialization of PPM without MRC accreditation and/or prohibit broadcasters from using PPM data until markets are accredited.

What will happen if steps aren't taken to address the situation? Everyone loses. More minority radio stations will be forced to close their doors; agencies will lose one of the most effective mediums in reaching Hispanics in the U.S.; advertisers will lose sales and confidence in multicultural marketing; and ultimately communities will lose a vital link to news and information they can't access other places.

While the consequences to agencies and advertisers aren't yet apparent, advertisers are questioning the relative cost and rationale for including radio in our media plans. As the unexplained drop in ratings has driven up the cost per point (CPP) it is increasingly difficult to justify radio. Hispanic-specialized agencies have been creative to maintain radio in their plans but the question remains for how long.

The reality is that clients compare the efficiencies of a medium based on cost and purchasing radio in most markets has become more expensive than TV due to PPM. Agencies have tough choices: cut radio from their plans or require radio broadcasters to reduce their rates by 50 percent.

Hispanic broadcasters cannot sustain those cuts and stay in business. As radio stations begin to disappear, fewer stations will result in less effective means of reaching the various consumer targets.

In order to maintain a robust marketplace and Hispanic advertising and broadcast industry, Arbitron must be prohibited from rolling out more markets without MRC accreditation. Arbitron is currently the sole provider of radio ratings and measurement data further complicating our ability to do business effectively.

Hispanic Americans are fueling America's growth as indicated by the Census in states such as California, Texas and Florida which are becoming majority minority. How is it possible that Arbitron can continue to improperly measure these audiences?

Thank you again for your consideration and this forum through which we can publicly voice our concerns. We look forward to the next steps.