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"Will Arbitron's Personal People Meter Silence Minority Owned Radio Stations?"

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Chairman Towns, Ranking Member Issa, and members of the Committee, my name is Ceril Shagrin and I am Executive Vice President Corporate Research at Univision Communications Inc., which owns and operates 68 local Spanish-language radio stations across the country. The focus of my testimony today is the serious flaws in Arbitron's Personal People Meter (PPM) radio ratings measurement system and the adverse affects of those flaws on minority broadcasters and listeners. I appreciate the opportunity to speak to you today on this important subject.

I have worked in the media ratings industry for over thirty years. Over the course of my career I have witnessed enormous changes both in the way audiences are measured and in the way ratings service providers operate. This context informs my testimony today and leads me to conclude that the radio ratings system is facing a crisis that threatens to undermine the goal of a diverse radio marketplace and deny tens of millions of listeners access to the programming they want because their listening choices are not being accurately counted by Arbitron's new PPM service.

To appreciate the scope of this crisis, it is important to note at the outset that the Arbitron radio ratings service is a monopoly in all of the largest media markets in the country.

As a result, Arbitron faces no market-based discipline. For radio broadcasters and marketers Arbitron is, quite literally, the only game in town. This is why even broadcasters who harbor deep concerns about the validity of Arbitron's ratings under the PPM system continue to use the data -- they simply have no choice.

Moreover, Arbitron is not subject to any direct government oversight. There is no regulatory agency charged with overseeing Arbitron's operations or ensuring the validity of its data. Thus, Arbitron operates with virtually no checks and balances other than the company's own sense of responsibility to its customers, and more importantly, to the radio listening public.

I regret to say that over the past two years Arbitron has demonstrated a pattern of behavior that leads to the inescapable conclusion that the company is failing to live up to that responsibility.

In 2007, Arbitron began rolling out its PPM system in the largest media markets in the country including New York City, Los Angeles, Chicago and Philadelphia. From the outset, the data provided under the PPM system evidenced erratic ratings swings for which there is no plausible explanation other than the quality and reliability of the sample -- especially among minority-targeted stations. For example, Univision's Los Angeles-based KLVE saw its ratings plummet 54 percent from 1st Quarter 2008 to 1st Quarter 2009 -- nearly half its audience simply vanished. As a result, this station, which serves the needs of Los Angeles' large and growing Spanish-speaking community, fell from the Number 1 rated radio station in the Los Angeles market to Number 5. Similar purported declines have been experienced by Spanish-language and urban stations in virtually all PPM markets.

Recognizing the threat posed by these anomalies in the PPM system to the needs of minority listeners, public officials at the local, state and federal level have repeatedly acted to try to persuade Arbitron to fix its system. State Attorneys General from New York, New Jersey and Florida have filed suit; the state Attorney General of Maryland reached a separate agreement with Arbitron. Letters were sent to Arbitron by dozens of Members of Congress, including then-Senator Barack Obama, urging the company to amend its practices. Concerns have been raised by organizations ranging from the NAACP to the Association of Hispanic Advertising Agencies.

In the face of such overwhelming industry and public concern, a responsible company would be expected to pause and reevaluate its course of action. Arbitron did no such thing. Instead, the company has persisted in a single-minded drive to push the PPM system into as many new markets as quickly as it can.

Meanwhile, the Congressionally-mandated system for industry self-regulation of media ratings under the auspices of the Media Ratings Council (MRC) is facing a crisis of legitimacy. The PPM system has been submitted for MRC review in every market where it has been introduced. In all but two cases, the PPM has failed to gain accreditation. Put simply, the MRC has reviewed the PPM system in market after market and found that it does not meet minimum requirements of reliability or accuracy to merit accreditation. Yet Arbitron's relentless rollout of a flawed system continues.

The unaccredited PPM system has now been introduced as the sole currency for the radio industry in almost all major markets in the country. The minority-owned and minority-targeted stations whose audiences are being systematically undercounted by the PPM system are facing an economic "perfect storm" as the impact of flawed ratings and recession threatens their viability.

When Arbitron embarks on a path of rolling out a ratings system in market after market, even as that system repeatedly fails to secure MRC accreditation, then Congress's intent with the establishment of the MRC is being thwarted. And, more importantly, the American listening public ceases to have any guarantee that the listening choices they make every day will be the determining factor in the content that is on their dials.

This hearing is an opportunity to begin fixing that egregious state of affairs.

The MRC's decision not to grant accreditation to the PPM system is not arbitrary. Although MRC proceedings are confidential, the PPM system's flaws have been well documented in public sources and can be assumed to factor heavily into the MRC's accreditation decisions.

In particular, it is important to understand that the problems with the PPM system are not technological. Indeed, Arbitron's primary defense of the PPM system is to juxtapose it against the older paper-diary system and then to invoke the "common sense" view that electronic solutions are inherently more reliable.

But this is a red herring. Nobody questions that the PPM device itself is theoretically able to track what people are listening to with a higher level of accuracy than the paper-diary system. That is why Univision and the entire PPM Coalition have repeatedly stated that we favor electronic solutions.

However, we all recognize that even the most evolved technology in the world can only fulfill its purpose if those who are meant to use it -- in this case, Arbitron's sample -- are properly recruited, trained and retained, and accurately reflect the diversity of the audience they are meant to represent.

Arbitron's PPM system as currently deployed fails these basic tests in all but two markets.

First Arbitron recruits from an incomplete sample frame. Arbitron's primary sample frame includes only households with landline telephone numbers. Households with no telephones, and cell phone-only households, are excluded from the main sample. Significantly, minorities are present in these excluded categories at a much higher rate than other groups. Notably, Arbitron has an address-based sample methodology in Houston, one of only two markets in which Arbitron has been able to gain MRC accreditation for PPM, but Arbitron has declined to use that address-based methodology elsewhere, despite its demonstrated improved accuracy and reliability.

This is a serious methodological flaw. Indeed, the MRC has openly encouraged all measurement services to switch to address based samples due to the limitations of telephone-based samples. This MRC recommendation stems from the fact that only an address based sample can ensure that all households -- those with land lines, cell phone only and non phone households -- would have an equal opportunity to be chosen to participate in a PPM sample.

Second, Arbitron includes cell phone only households via a separate sample with low response rates that is controlled to contribute 10 percent of the households in each market. But cell phone only households are disproportionately young and minority -- 25 percent of Hispanics live in cell-phone households, as do 21.4 percent of African Americans, and 41.5 percent of those aged 25-29. Arbitron has committed to increase the cell phone only sample to 15 percent and eventually to 20 percent of total households in the next 12 to 18 months, but these figures still fall below the actual occurrence of cell phone only households in the Hispanic and Black communities. In the meantime, of course, cell phone only penetration continues to grow.

Third, Black and Hispanic listeners are underrepresented in the sample panels. Arbitron has proved unable to meet its own internal metrics for minority participation in its sample panels. For example, Arbitron recruited only 64 percent of the Black panelists it was seeking in Los Angeles in April 2009 and just 59 percent of the Black panelists it was seeking in Detroit. Even in markets where Arbitron may have enough Black and Hispanic panelists, the distribution by age and language does not represent the minorities in those markets.

Fourth, Arbitron's panels are unacceptably small. This leads to absurd anomalies. For example, in Atlanta, each Black panelist is assumed to represent 10,000 others. As a result, when a Black family of PPM panelists traveled to New York over Thanksgiving weekend last year, Arbitron reported that 30,000 Atlantans had tuned in to a New York station -- which could not be heard anywhere within a thousand miles of Atlanta -- and thus the station was the 34th most popular station in Atlanta that week. This incident would be funny if it wasn't emblematic of a problem that threatens the diversity of American radio.

Finally, PPM panelists do not receive the training or support they need to use the PPM device properly. This is manifest in the changes in morning listening habits purportedly measured by the PPM system. Thus, for decades, Arbitron reported that radio listenership peaked from 6:00 AM to 10:00 AM, while people listened to clock radios during their morning routine and to car radios during their drive to work. With the introduction of the device-based PPM, however, Arbitron reports that people no longer concentrate their radio listening in the morning. Does anyone other than Arbitron seriously believe that PPM panelists wear their PPM device while they awaken and get out of bed to the radio alarm clock, then shower and dress? Meanwhile, the under representation of employed persons is probably contributing to the supposed drop in morning drive listening.

To be sure, all of these problems are fixable. In fact, there is real world evidence that Arbitron can fix them if it chooses. In Houston, Arbitron made the needed investments in an addressed-based sample and in-person recruiting, and bolstered its Spanish-language support staff. As a result, the PPM system's data became more reliable and Houston received MRC accreditation.

One would think that what's good enough for Houston would be good enough for the rest of America. Unfortunately, to date Arbitron's pattern is to avoid making these sorts of investments in the quality of its data. The MRC's repeated decision not to grant accreditation is the surest evidence that this concern is not just "sour grapes" from broadcasters who have seen their ratings negatively impacted, but rather is a substantive concern shared by the industry's designated ratings watchdog.

Yet the rollout of the PPM continues. For Arbitron to continue making the unaccredited PPM system the currency in market after market is akin to a teenager taking an SUV out on the highway having only promised at some point in the future to get a driver's license. It is manifestly unsafe for all.

That is, perhaps, the best way to think about the PPM system: it is unsafe.

It is unsafe for broadcasters, because our ability to generate advertising revenue -- the sole pillar of our existing business model -- is now dependant on a ratings system that may or may not capture our listeners depending on such arbitrary and disparate factors as whether or not our listeners have a landline telephone, whether or not they are comfortable carrying around a tracking device for two years and whether or not they are open to being recruited to such a sample on the basis of a random phone call.

It is unsafe for marketers, because now they must allocate hundreds of millions of advertising dollars on the basis of ratings data that does not accurately capture the listening behavior of consumers. This is not just true of minority broadcasters -- our stations are simply the ones tending to receive less revenue as our listeners are undercounted falsely. In other words, marketers are not getting what they think they are paying for. Why should any marketer accept inaccurate data to make buying decisions?

Above all, the system is unsafe for the listening public. Even in this age of media fragmentation, free over-the-air radio remains fundamentally important to tens of millions of Americans. This value is perhaps even greater among African American and Hispanic communities, for whom the local radio station is not just a source of entertainment, but is a center of the community and a lifeline to critical news and information.

And so this is the grim reality of today's radio marketplace -- an unsafe ratings system, careening through the industry, disserving listeners, doing untold damage to minority broadcasters, and threatening to undermine the core ideal of a diverse radio dial.

In order to rectify this situation, it is essential that Arbitron reaffirm its commitment to the MRC system. MRC accreditation is the only available method for ensuring that ratings systems meet the minimum standards for fairness and reliability that listeners and the industry deserve.

Meanwhile, Arbitron must commit to refrain from making a new ratings system currency in a market unless and until MRC has provided it accreditation in that market. Until such time, Arbitron can and should continue to introduce new systems. Innovation need not be slowed or deterred by this process. But in order to preserve the safety of the marketplace Arbitron must maintain the previous diary-based system in parallel to the new electronic system until such time as the MRC provides accreditation. That way, the industry can continue to draw upon tried and true data sources while the new system is tested and refined in the real world.

These changes must be made with haste. With each day that passes the ability of minority broadcasters to continue meeting the needs of our communities is threatened. The time for action is now.

Mr. Chairman, I appreciate the opportunity to share these views with you today and I would be pleased to answer any questions you or other members of the Committee may have.