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# **BRC Presentation**

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PPM: Elevating the Future  
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Presenter: Leon Hildebrandt

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It is a very exciting time to be involved in radio. Whether you are an advertiser, a media planner or buyer, a radio seller or Program Director, Personal People Meter (PPM) is a 'game changer'. PPM provides the long hoped-for new level of accountability for the radio medium. However, with such a sea change comes the potential for confusion, suspicion and even fear as old beliefs and habits linger as we collectively protect our respective 'comfort zones'.

That said, PPM and its potential to change a medium, how it is viewed and valued in the media landscape, and thus how it is bought and sold is so new we can all be excused for clinging to the past in these very early days while the future unfolds. A future we can only collectively create and maximize if we all embrace the potential PPM promises. But before we can embrace something new we must be willing to let go of the past. So what must we let go from decade old models of radio planning, buying, selling and programming?

In a diary world we all defaulted to the broadest of measures: we pretended that Adults 25-54 was a target group when it better describes a family reunion. We assumed radio stations were similar if they carried the same formatic descriptors. We assumed that regardless of format, radio was consumed across the day and week the same way, by all listeners in all markets. We assumed that external events had little to no effect on radio. We considered that buying for less or selling for more, such as a 150 GRP buy at a 3 frequency, was a job well done. To be fair, in a diary world these may have been fair assumptions and practices given what we were working with.

However, PPM now provides both a tool for a much greater level of measurement, almost in real time, as well as a tool for change that will make radio much more responsive to its users'

wants. In short, PPM has the potential to change radio as a medium from a perceived homogeneous sameness to one which listeners will ultimately program as they vote to stay or go, minute by minute, with their radio dial.

So, what future does PPM herald? Let's start with what we already know from our first simplistic look at PPM. At its most basic, PPM reveals what we as individual radio users always suspected to be true based on our own radio tuning habits. Radio station reach is far greater in PPM than diary suggested. PPM's passive measurement system shows we listen to twice as many stations than a diary recall methodology could ever accurately capture. Radio in diary always delivered good reach on a daily and weekly basis, but now PPM expands that reach and adds the potential to understand who is reached, where, when and why. So what are the potential implications? Could radio now become a "reach medium" and earn consideration as such as a complement or replacement to T.V.? Some agencies have already suggested as much and, if so, that could mean a new source of demand from national advertisers using radio as a new-found reach medium competing with a strong local base of demand for limited radio inventory. As buyers and sellers, we all understand that the level of demand determines the level of pricing and PPM's additional reach could provide upward pricing pressure in time.

What about frequency in a PPM world? Does radio no longer deliver on this metric? Firstly, it is important to remember that radio offerings have not changed and there are no fewer radio listeners in PPM markets than when measured in diary. But in an average minute audience (AMA) world there are fewer hours tuned versus the average quarter hour (AQH) 'rounding up' method that resulted in a suggested higher frequency in diary.

In the absence of definitive research on a true effective frequency level, will advertisers readily accept that '2 is the new 3' and be satisfied that if it worked before, it will work now? Possibly, but if not, what adjustments can buyers and sellers make to boost frequencies? In diary we accepted the concept of duplication, the sharing of audience between stations, but only on the broadest of target groups. As long as we continue to use broad targets like A25-54, boosting frequencies could simply mean a shorter list of purchased stations with heavier schedules hoping to increase repeat exposures. However, if buyers continue to favour a traditional 'top down' ranked execution, we could see additional demand on these stations and a widening of CPP pricing levels top to bottom as top-tier stations achieve sell-out levels more quickly. It could be expensive to concentrate on a short list of radio stations looking for repeat exposure opportunities as listeners come and go more than we knew before PPM. Though, as sellers, we would welcome expanded budgets, total occasions purchased may need to increase well beyond budgetary tolerances to return a 3 frequency.

In time, a better understanding of PPM will allow for both more refined target groups, not only age and gender but lifestyle and psychographics, and a better mapping of these groups as we establish linkages between stations. Already PPM defines more clearly than diary the distinct tuning patterns of various formats. While music stations tuning is relatively more homogeneous throughout the day, other formats like *All News* and *Jazz* show different and quite distinct tuning patterns. PPM could provide buyers the opportunity to follow their P1 target audiences from one station to another, much like buying relevant targeted T.V. programs, thus offering the greater chance of repeat exposures to build frequency. As a result, PPM could make station ranking less relevant and render 'top down' buying outdated. We may

find that a perfect complement to a top ranked station is one well down the ranking on broader measures, but a station well-suited for “mining” a concentrated vein on a refined target group. From a national sellers and buyers’ perspective, radio clusters just became more valuable.

No discussion of the transition from diary to PPM can avoid the issue of pricing. Appropriately applied and understood, the change from using Average Quarter Hour audience to Average Minute Audience should NOT make radio more expensive; at a market level it should be cost neutral. Because AQH and AMA are not comparable we cannot look at resulting cost per points in diary versus PPM and compare them. While the CPP label is the same, the CPP values cannot be the same as they reflect two completely different methodologies and resulting sets of data. This reality makes it virtually impossible to use both diary and PPM data in a comparative way for execution purposes. It exposes the buyer to overpaying for those stations that are relatively weaker in PPM and may limit their access to stronger PPM stations if they are not prepared to pay appropriately higher unit rates. This is no different than the accepted diary practice of increasing or decreasing rate from one diary to the next as stations gain or lose audience. In PPM, as in diary, stronger stations should be rewarded with higher rates and weaker stations adjusted down, both at competitive PPM CPPs remaining budget-neutral on a market level during transition. We’re confident that pricing is already close to finding its equilibrium on the traditional A25-54 broad measure. In diary, A25-54 was also the basis for pricing all other demographics resulting in a very narrow executed CPP range against all demos.

What may develop in radio under PPM is a more varied Cost Per Point pricing model much like T.V., as PPM can now identify the key stations and program elements that delivery against

more refined targets that go beyond the conventional A25-54 catch-all. In PPM we will have to move away from the common practice of discussing nothing but price, which assumes one rating point is like the next. We must move to understanding the value in reaching more refined target groups that will deliver a better ROI for advertisers whose objective is, after all, to sell more of their product or service, not the achievement of GRP and frequency objectives at the lowest cost.

PPM has already proven that younger demographics have not forsaken the radio medium. Already we see significant increases in tuning for elusive listeners, like young men, that in diary were as difficult to capture as a Sasquatch. And new technologies that were thought to be radio killers are being proven in recent studies to actually increase radio exposure to younger age groups. Think of listening to radio while surfing the net or the iPod shuffle with an FM transmitter. What other apparently absent demographic and psychographic groups in diary will PPM reveal for us to buy and sell; only time will tell.

As buyers and sellers of radio, our PPM future will also be influenced and changed by the effective use of PPM as a tool used by Program Directors to create better radio. Unlike a paper diary, PPM is a much more responsive and immediate tool that, along with coming software compliments will allow PDs to define and refine their radio product offerings. Program Directors will come to understand much better what works and what doesn't, and if they are holding listeners or pushing them away, and why. PPM will allow them to test out new ideas and assess their viability as worthwhile elements with sustainability. This will lead to clearer distinctions between stations, particularly important if markets continue to fragment as new

stations launch, delivering a more engaging radio experience for the listener, and will potentially further boost reach and time spent listening for not only the most nibble program directors but the radio medium as a whole. A better radio product with better audience definition will open up opportunities for more strategic use of the medium by those advertisers that recognize the opportunity. At its simplest, it could be taking advantage of the ratings boost and environment presented by 100% Christmas music in December. Or could expected AMA spikes for event tuning mean radio sellers act like ticket scalpers, charging higher prices for Leafs vs. Canadiens than Leafs vs. Nashville?

Effective use of PPM by PDs could also address the frequency issue if time spent listening increases, thus increasing exposure opportunities. Might we also see PDs use PPM to more efficiently and effectively schedule commercial breaks to deliver more sellable GRPs with the same or even fewer commercial spots? Could this move us away from the traditional selling of GRPs tied to occasions or even stations and lead to the selling of GRPs exclusive of how they are delivered, more like the internet model based on bulk delivery at an agreed price? Linking commercial logs to the latest PPM audience results could allow this to be done by either the seller or traffic department with clear benefits to all. Fewer commercials would enhance the listener's experience while advertisers are effectively getting guaranteed audience delivery against their GRP buy irrespective of spots aired or even station selection. This would relieve agencies from the need to post GRP delivery after the fact, as your proof of performance could also show delivered audience numbers.

These are but a few of the PPM considerations we all need to embrace or we risk being luddites burying our heads in the sand, refusing to embrace a change for the better. PPM will present numerous new opportunities for radio as we go forward, and CBS welcomes the opportunity to work with agencies and their clients to better understand PPM's potential. We will create a better understanding of how radio really works and that can't help but make radio a more effective medium for advertisers. So fear not the changes we will all be required to make to realize PPM's potential. Radio's future is bright. Thank you.