

UNDERSTANDING ARBITRON ESTIMATES

ARBITRON RATINGS
RADIO

AS A RADIO ACCOUNT EXECUTIVE, YOU HAVE MANY TOOLS TO HELP
OVERCOME ADVERTISER OBJECTIONS:

- o ARBITRON ESTIMATES
- o RADIO FACTS/STATION FACTS
- o SUCCESS STORIES/TESTIMONIALS
- o PROMOTIONS
- o SPEC SPOTS
- o CONSULTING
- o PACKAGES

THE ARBITRON LOCAL MARKET REPORT CONTAINS HUNDREDS OF SALES
STORIES FOR RADIO AND YOUR STATION.

THE "A" THROUGH "D"s OF INCREASING YOUR MONTHLY BILLING ARE:

- A) UNDERSTANDING ARBITRON ESTIMATES
- B) KNOWING WHERE TO FIND SALES STORIES
- C) KNOWING HOW AND WHEN TO USE THEM, AND
- D) KNOWING HOW TO EFFECTIVELY COMMUNICATE THEM

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THE FOUR BASICS TO UNDERSTANDING RADIO

AUDIENCE ESTIMATES ARE ...

1.

2.

3.

4.

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AVERAGE QUARTER HOUR PERSONS (AQH)

THE AVERAGE NUMBER OF PERSONS IN A DEMO GROUP LISTENING TO RADIO FOR AT LEAST FIVE MINUTES DURING AN AVERAGE QUARTER HOUR IN A GIVEN TIME PERIOD.

HOW MANY LISTENERS, ON THE AVERAGE, WILL HEAR THE ADVERTISERS MESSAGE.

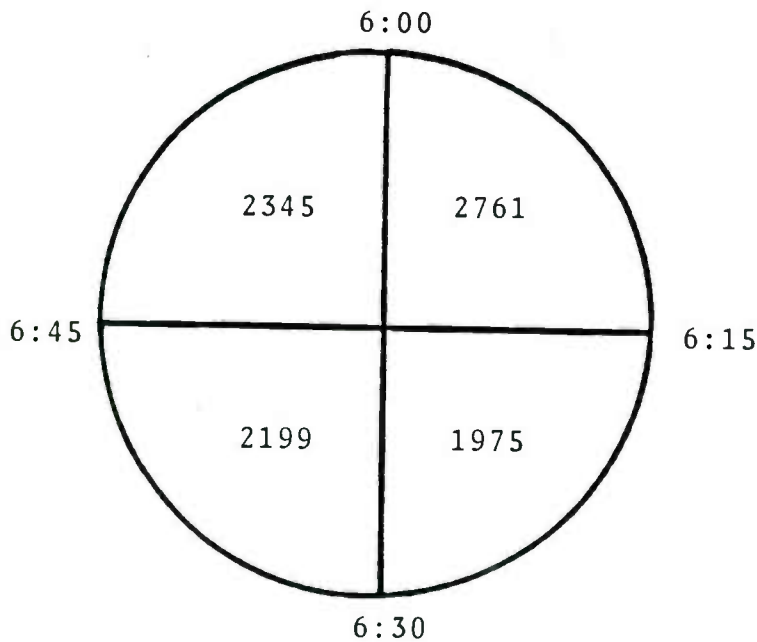
"MR. ADVERTISER, EACH TIME YOUR AD AIRS ON W____,
(AQH PERSONS) (DEMO) WILL HEAR IT."

SPEAK TO THE ADVERTISER IN HIS LANGUAGE.

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AVERAGE QUARTER HOUR PERSONS (AQH)

6AM - 7 AM



6:00 - 6:15 2761

6:15 - 6:30 1975

6:30 - 6:45 2199

6:45 - 7:00 2345

TOTAL: 9280 PERSONS

$$\frac{9280}{4 \text{ QTR HOURS}} = \underline{2,320 \text{ AQH}}$$

EVERY TIME AN ADVERTISER'S MESSAGE RUNS FROM 6AM TO 7AM,
IT WILL BE HEARD AN AVERAGE OF 2,320 TIMES.

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CUME PERSONS

THE ESTIMATED NUMBER OF DIFFERENT PERSONS IN A DEMO GROUP LISTENING TO A STATION FOR AT LEAST FIVE MINUTES WITHIN A SPECIFIED TIME PERIOD.

CUME IS ALSO REFERRED TO AS REACH. HOW MANY DIFFERENT PEOPLE YOUR STATION REACHES EACH WEEK OR IN EACH DAYPART.

CUME CANNOT BE DUPLICATED, LISTENERS CAN ONLY BE COUNTED ONCE.

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RATING

$$\text{RATING} = \frac{\text{LISTENERS (AQH)}}{\text{POPULATION OF DEMO GROUP}}$$

EXERCISE: Determine the AQH Rating of your station
for _____, Monday-Sunday, 6AM-Midnight,
in the Metro.

AQH = _____ Metro Pop. = _____

AQH RATING = _____

HINTS: 1) YOU WILL FIND POPULATION FIGURES FOR EACH
DEMOGRAPHIC GROUP ON PAGE 3A.

2) YOU WILL USE THE SPECIFIC AUDIENCE SECTION
OF THIS BOOK TO COMPLETE THIS EXERCISE.

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SHARE

EXERCISE: Determine the AQH Share of your station
for _____, Mon-Sun 6AM-Mid, in the
Metro. (Use Target Audience section)

AQH = _____ METRO TOTALS (PUR)= _____
AQH SHARE = _____ =

FORMULA: $\frac{\text{AQH PERSONS TO A STATION}}{\text{AQH PERSONS TO ALL STATIONS}} = \text{SHARE}$

SHARE = % OF ALL LISTENERS

DIVIDE YOUR AQH AUDIENCE FOR A SPECIFIC DEMO BY
THE TOTAL AQH AUDIENCE IN THE METRO FOR THAT DEMO.

(You'll find the Metro AQH totals at the bottom
of the page.)

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TURNOVER

"HOW MANY ADS SHOULD I RUN?"

USE TURNOVER AS A BENCHMARK TO SHOW PROSPECT HOW MANY ADS TO RUN TO REACH HALF OF YOUR CUME AUDIENCE WITH A FREQUENCY OF AT LEAST TWO.

DAYPART: _____

DEMO: _____

GEOGRAPHY: _____

$$T/O = \frac{CUME}{AQH} = \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

MS. ADVERTISER, YOU NEED TO RUN _____ MESSAGES FROM _____
(T/O) (Daypart)

TO REACH _____ AT LEAST TWICE.
(cume ÷ 2) (Demo)

HIGH TURNOVER = LOW TIME SPENT LISTENING

LOW TURNOVER = HIGH TIME SPENT LISTENING

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There is no etched in stone method to planning a successful radio schedule. However, Marx and Greist propose one way to quickly determine how many spots are needed to reach half of a station's cume 3 or more times...

Here are three steps necessary to developing the optimum effective schedule:

First, calculate the **turnover** of a radio station—this is the ratio between a station's cume and average quarter-hour audience—on the next slide I will give you the formula...

Second we multiply the station turnover by 3.29 to determine the number of spots needed in the week. 3.29 was developed as the **constant** necessary to be able to reach about half of a station's cume 3 or more times. (Some broadcasters and advertisers maintain that the constant should be even higher.)

Third, multiply the cume by .46 to calculate the **effective reach**...the number of consumers reached by the schedule 3 or more times.

Optimum Effective Schedule

Steve Marx And Lew Greist

1. Calculate Turnover
2. Multiply turnover by 3.29 to determine # of spots
3. Multiply cume by .46 to determine effective reach

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Do these higher than traditional weekly spot levels work?

Absolutely! In market after market advertisers and stations report substantial results from these campaigns that reach almost half of a stations cume 3+ times.

This concept can work on **any** station. It has nothing to do with the **size** of the audience, it uses every station's **potential** of their cume.

Since turnover differs on every station it becomes apparent that stations must be purchased differently.

But you might be thinking, "small advertisers cannot afford to run 49 spots a week." The proponents of optimum effective scheduling

would argue that the budget does not have to change—if the client was running 15 spots a week over 4 weeks...collapse all the spots in a one week blitz...

You wouldn't want to water the lawn with a squirt gun?

Thus, "schedule concentration generates cash register results"...

Obviously, there is no "etched on stone" method for buying and selling radio. However it is hard to argue with the **success** of the optimum effective schedules and results they obtain for advertisers and agencies.

Optimum Effective Schedule

- Obtains results
- Works regardless of size of station's audience
- Different stations must be purchased differently
- Does not have to change budgets
- Schedule concentration means cash register results

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Here's an idea for documenting radio's true strength, reach and frequency along with expenditure levels...

Design a proposal with three headings...

Schedule investment not spot cost.

Prospects reached and average # of times prospects are reached.

They can be several types of investment plans...

"Maintenance" schedule designed to produce image awareness generates a fair reach but not a substantial frequency.

"High Impact" gets results with a much higher reach and frequency and the "Grand Open-

ing" schedule investment reaches a huge amount of prospects with a very heavy frequency. (This can be the optimum effective schedule).

This analysis shows that one aspect to success in radio advertising is based upon the dollar commitment of the advertiser!

Advertising agencies and stations should begin showing this type of presentation to clients. It would help reduce unrealistic expectations of schedules.

An often asked question by advertisers is "how many commercials should I run?" Based upon a customer needs analysis the client can see several specific schedule investments suited to their marketing objectives.

How We Market Our Medium

WAAA Proposal

| <u>Schedule investment</u> | <u>Prospects reached</u> | <u>Avg. # of times Prospects reached</u> |
|------------------------------|--------------------------|--|
| "Maintenance" \$600/week | 114,100 | 1.8X |
| "High impact" \$1,600/week | 176,600 | 3X |
| "Grand opening" \$2,650/week | 206,500 | 4.4X |

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GROSS IMPRESSIONS

THE SUM OF THE AQH PERSONS AUDIENCE
FOR ALL SPOTS IN A GIVEN SCHEDULE.

$$GI = \# \text{ OF SPOTS } \times \text{ AQH PERSONS}$$

STATION: _____ DEMO: _____

| <u>DAYPART</u> | <u># OF SPOTS</u> | <u>X</u> | <u>AQH AUDIENCE</u> | <u>GI</u> |
|----------------|-------------------|----------|---------------------|-----------|
| _____ | _____ | _____ | _____ | _____ |

_____ SPOTS ON _____ WILL DELIVER
_____ GROSS IMPRESSIONS

GROSS IMPRESSIONS IS THE NUMBER OF TIMES AN ADVERTISER'S
MESSAGE WILL BE HEARD ... NOT THE NUMBER OF PEOPLE REACHED
BY THE SCHEDULE.

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TIME SPENT LISTENING

$$\text{TSL} = \frac{\text{AQH PERSONS} \times \text{\# OF QHs IN DAYPART}}{\text{CUME}}$$

DEMO: _____

DAYPART: _____

AQH: _____

CUME: _____

QHs: _____

YOUR TSL = _____ X _____

TO EXPRESS TSL IN HOURS AND MINUTES:

1) DIVIDE THE RESULT BY 4 QHs \div 4 = _____

2) MULTIPLY THE DIGITS FOLLOWING THE DECIMAL POINT BY 60
TO DETERMINE MINUTES

USE TSL TO HANDLE OBJECTIONS SUCH AS:

- o "NO ONE LISTENS TO RADIO"
- o "I RARELY LISTEN TO RADIO, THEREFORE"

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LISTENERS PER DOLLAR

" ... BECAUSE YOUR STATION HAS SUCH HIGH RATINGS, YOUR STATION IS TOO EXPENSIVE FOR MY BUDGET."

"I CAN BUY SPOTS ON YOUR COMPETITOR FOR LESS."

$$\text{LISTENERS PER DOLLAR} = \frac{\text{AQH AUDIENCE}}{\text{SPOT COST}}$$

THE NUMBER OF PEOPLE WHO CAN BE REACHED WITH A SINGLE ADVERTISER DOLLAR

- OR -

MR. ADVERTISER, FOR EVERY DOLLAR YOU INVEST ON W____, YOU ARE REACHING _____ PROSPECTS IN YOUR TARGET DEMO ... COULD YOU REACH THIS MANY PROSPECTS PER DOLLAR USING NEWSPAPER OR DIRECT MAIL?

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COST PER THOUSAND

(CPM)

THE COST OF EACH 1,000 IMPRESSIONS DELIVERED BY THE SCHEDULE.

$$\text{CPM} = \frac{\text{COST OF SPOT} \times 1,000}{\text{AQH PERSONS}}$$

- OR -

$$\frac{\text{COST OF SCHEDULE} \times 1,000}{\text{GROSS IMPRESSIONS}}$$

YOUR CPM = _____ X 1,000 = \$ _____

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DEALING WITH THE AGENCY

GRPs = THE NUMBER OF RATING POINTS AN ADVERTISING SCHEDULE
WILL DELIVER.

AQH RATING X NUMBER OF COMMERCIALS = GRPs
(REACH) (FREQUENCY)

_____ X _____ = GRPs

CPP = CALCULATES THE COST OF EACH RATING POINT.

$\frac{\text{COST PER SPOT}}{\text{AQH RATING}} = \text{COST PER RATING POINT (CPP)}$

OR

$\frac{\text{COST OF SCHEDULE}}{\text{GROSS RATING POINT}} = \text{COST PER RATING POINT (CPP)}$

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DEALING WITH THE AGENCY

A BUYER FROM AN AGENCY CALLS, BUYING (Demo) IN THE METRO,
LOOKING TO BRING IN THE MARKET AT A \$ _____ COST-PER-POINT.
WHAT DOES YOUR STATION HAVE TO CHARGE TO MEET THAT CPP GOAL?

$$\underline{\hspace{2cm}} \times \underline{\hspace{2cm}} = \underline{\hspace{2cm}} \quad (\text{YOUR RATE})$$

(COST PER POINT X AQH RATING = SPOT COST)

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The average quarter-hour audience is divided over the population to produce an average quarter-hour rating...

In television average quarter-ratings can be used very effectively, since a 1% rating in television comes fairly close to representing 1% of the population. This is because Arbitron television reports **program** ratings.

For example—in the TV Arbitron book you can look up the rating for Thursday night between 8:00 PM and 8:30 PM. That rating

represents what percent of the population watched that TV program. There is little duplication in that rating point.

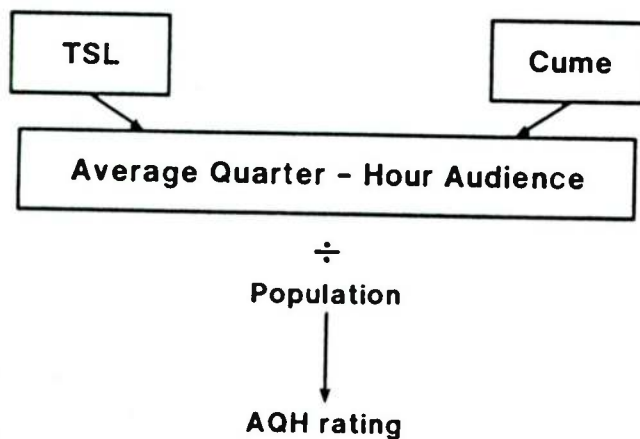
However in radio, Arbitron reports **weekly daypart ratings**...like Monday through Friday, 6AM to 10AM. Because this rating encompasses 20 hours there is greater duplication.

So the moral of the story is...

A TV Rating \neq A Radio Rating

Comparing TV and radio ratings is like comparing apples and oranges!

Defining GRP's And Cost-per-point



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Here are 4 different schedules each achieving 100 Gross Rating Points...

Schedule 1 reaches 100% of the target once.
Schedule 2 reaches half of the target twice.
Schedule 3 reaches 25% of the target 4 times.
Schedule 4 reaches exposes 1% of the target 100 times.

While GRP's may be an effective tool for television, it is not useful by itself in evaluating radio schedules. Here's why:

Using the analogy of the skillet and the eggs...

"Is it better to cook eight dozen eggs for one second (schedule #1)...or

one egg for an hour and a half (schedule #4)"

Neither is very appetizing nor a very effective radio schedule!

GRP's Conceal Information

100 GRP Schedules

| | | |
|-------------|----------------------|-----------|
| Schedule #1 | Reach 100% of target | 1 Time |
| Schedule #2 | Reach 50% of target | 2 Times |
| Schedule #3 | Reach 25% of target | 4 Times |
| Schedule #4 | Reach 1% of target | 100 Times |

"Is it better to cook eight dozen eggs for one second or one egg for an hour and a half?"

Steve Marx and Lew Greist
Effective Reach Means More Effective Advertising

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Let's review what we have learned...

- The traditional measures of Gross Rating Points conceals information and is very misleading. Average Frequency and Total Reach do not go far enough.
- We have determined the **three exposure minimum** to produce effective reach and cash register results...persons exposed less than three times are labeled as ineffective, empty reach.
- Our goal is to maximize effective reach... effective advertising means effective scheduling.

Review

- **Traditional measurements: GRP's, average frequency, total reach are misleading**
- **3 exposure minimum level for response**
- **Effective reach and frequency**
- **Consumers reached less than 3 times = empty reach**
- **Goal: minimize empty reach -- maximize effective reach**

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AN INTERESTING THOUGHT FOR PROSPECTS WHO OFFER TO
"TEST" YOUR STATION BY INVESTING IN
"JUST A FEW COMMERCIALS"...
TO SEE IF YOUR STATION "WORKS"!

Karl Von Clausewitz

**"Many assume that half efforts can be effective.
A small jump is easier than a large one, but no
one wishing to cross a wide ditch would cross
half of it first."**

Trout and Ries Marketing Warfare

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TARGET AUDIENCE EFFICIENCY

- o TARGET COVERAGE WASTES NO ADVERTISING DOLLARS
- o TARGET COVERAGE MAY SUPPORT A HIGHER CPP OR CPM
- o THE MORE PRECISELY TARGETED STATION IS MORE EFFICIENT
(i.e. WHEN DECIDING BETWEEN TWO ALTERNATIVES)

DEMO: _____

DAYPART: _____

$\frac{\text{YOUR TARGET AQH AUDIENCE}}{\text{YOUR TOTAL PERSONS 12+ AUDIENCE}} = \frac{\text{_____}}{\text{_____}} = \text{_____}\%$

MR. ADVERTISER, _____ CENTS OUT OF EVERY DOLLAR INVESTED ON
MY STATION WILL REACH $\frac{\text{_____}}{\text{(Target Audience)}}$.

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SELL WEEKENDS AND EVENINGS

- o MAXIMIZE YOUR INVENTORY
- o DEMONSTRATE THE VALUE OF USING THESE AUDIENCES TO BUILD REACH BY HITTING NEW AND DIFFERENT CUSTOMERS.

WEEKEND ONLY AUDIENCE

DEMO: _____
M-SUN, 6am-12 Mid (Cume): _____
M-F, 6am - 12 Mid (Cume) - _____
SAT, SUN ONLY (6am-Mid) = _____

_____ LISTEN TO MY STATION ONLY ON THE WEEKENDS, WHICH REPRESENTS _____ % OF MY AUDIENCE.

TO GET THE PERCENT THAT ONLY LISTEN ON THE WEEKENDS:

$$\frac{\text{SAT-SUN ONLY}}{\text{WKND 6AM-MID}} = \text{_____} \%$$

SEE IF YOU CAN CALCULATE YOUR EVENING ONLY AUDIENCE.

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Certain estimates can be added together and others cannot. Since it's often difficult to remember which estimates are compatible, here's a convenient chart:

| DO'S AND DON'TS | | | |
|------------------------|--------------------------------|--|------------------------------|
| | Stations + Stations | Demographics + Demographics | Daypart + Daypart |
| AQH Persons | YES | YES | NO |
| AQH Ratings | YES | NO | NO |
| AQH Shares | YES | NO | NO |
| Cume Persons | NO | YES | NO |
| Cume Ratings | NO | NO | NO |

This chart assumes a constant geography and non-overlapping demographics/dayparts (Metro compared to Metro/18-34 added to 35-64).

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SUMMARY

THE KEY TO GENERATING MORE SALES IS TO EFFECTIVELY
COMMUNICATE RADIO'S STRENGTHS AND OVERCOME SALES
OBJECTIONS.

YOU HAVE MANY RESOURCES AVAILABLE.

ARBITRON IS ANOTHER RESOURCE YOU HAVE.

KNOWING WHEN AND HOW TO USE ARBITRON AUDIENCE ESTIMATES
WILL HELP YOU MAKE MORE MONEY.

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