

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Impact of Arbitron Audience Ratings)
Measurements on Radio Broadcasters) MB Docket No. 08-187

TO THE COMMISSION

COMMENTS OF
THE ASSOCIATION OF HISPANIC ADVERTISING AGENCIES (AHAA)

I. Introduction

The Association of Hispanic Advertising Agencies (AHAA) welcomes the opportunity to submit these Initial Comments in response to the Notice of Inquiry concerning the commercial use of the portable people meter (PPM), a radio audience measurement service developed by Arbitron, Inc. (Arbitron). The Hispanic-specialized advertising industry is facing a serious challenge with PPM implementation. The roll out of flawed statistical data representing Hispanic listeners will have devastating effects on an industry that has been flourishing for more than 30 years: an industry built by pioneers and visionaries that today represents more than \$5 billion in advertising investments, a significant portion of which is dedicated to radio.

The Commission's Inquiry into issues effecting ethnic minority broadcasting and radio sales due to PPM culminates years of attempts to resolve sampling methodology challenges with Arbitron unsuccessfully. While the Hispanic-specialized advertising industry embraces technological advancements and electronic measurement, our goal is to ensure the radio sampling methodology is reliable and fair so that AHAA agencies and members can adequately deliver consumers — and ultimately sales — for advertisers.

AHAA's issues remain consistent with those addressed by the PPM Coalition in the Emergency Petition for a Section 403 Inquiry. They are:

- Increased recruitment of cell-phone-only households
- Increased address-based sampling methodology to ensure minority participation
- Assurance that panels are comprised of accurate and proportional representation of the market's population
- PPM accreditation by the Media Rating Council (MRC)
- Sampling to include country-of-origin data
- Increased sample size and higher in-tab rates for Hispanic demographic sub-sets
- Raise the Designated Delivery Index (DDI) benchmark
- Increase the Sample Performance Indicator (SPI)

AHAA requests that the Commission refrain from using any Arbitron PPM data that is not MRC accredited and prohibit broadcasters from using that data.

II. The Association of Hispanic Advertising Agencies (AHAA)

The Association of Hispanic Advertising Agencies (AHAA) is the national organization of firms that specialize in marketing to the nation's 46 million Hispanic consumers – the most rapidly growing segment of the American population. AHAA represents nearly 98 percent of Hispanic-specialized agencies 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 that validate the seriousness of the organization by exercising consistent examples of integrity, excellence and character. AHAA agencies offer a unique blend of cultural understanding, market intelligence, proven experience and professionalism that deliver Hispanic market success for clients. AHAA agencies help organizations gain market share, increase revenue and grow profits by building bridges and delivering the messages that reach America’s Hispanic consumers – an audience with estimated buying power of nearly \$1 trillion. Visit www.ahaa.org for more information.

The goals and objectives of the association are as follows:

- To provide leadership in raising awareness of the value of the Hispanic market to advertisers and other communities.
- To grow and strengthen the Hispanic marketing and advertising industry.
- To promote and encourage high standards, conducts and ethics by means of study, discussion and education regarding the Hispanic marketing and advertising industry.
- To foster research and distribution of knowledge of the Hispanic marketing and advertising industry among the membership and the general public and to broaden public understanding of the Hispanic marketing and advertising industry.
- To foster, promote, maintain and encourage the civic, social and economic welfare of the Hispanic marketing and advertising industry and to support a system of free and competitive enterprise and individual acceptance of responsibility.
- To cooperate with federal, state, local and international government authorities for the good of the community and the Hispanic marketing and advertising industry.
- To encourage laws, regulations and programs consistent with the growth of the Hispanic marketing and advertising industry, both domestically and internationally, within the lawful regulation of state and federal statutes or guidelines.
- To cooperate with scientific research, educational institutions and non-profit organizations concerned with related matters of interest to the Hispanic marketing and advertising industry.
- To acquire, preserve and disseminate data and available information relative to the functions and accomplishments of the Association and its members.
- To cooperate with state, regional and international associations with common interests in the welfare of the Hispanic marketing and advertising industry in general.

- To undertake such other functions consistent with these Bylaws that will advance the growth and prosperity of the Association's members.
- To promote the common business interests of the members of the Association and the industry.

III. Background on AHAA's Involvement and Interest in Improving PPM

AHAA has a fiduciary responsibility, as stewards of our clients' money, to ensure the legitimacy of PPM audience representation and are committed to continue to working with Arbitron to make necessary changes.

AHAA is concerned that Arbitron continues to roll out PPM in select markets across the country despite concerns raised by AHAA and the cultural broadcasting industry. AHAA believes the PPM sample quality and size for Hispanic listeners remains flawed and is providing a distorted view of Hispanic radio audiences. Arbitron is focusing on trying to improve the numbers; however we need sustainable change and improvement to the sample.

Hispanic listeners fall out of a broad general market demographic of persons 18 years to 49 years with a 90 percent confidence and a +/- .2 interval. The PPM data doesn't allow for deep analysis into sub-sets of the broader demographic, which is essential to Hispanic-specialized agencies when developing targeted radio campaigns. Additionally, the Hispanic sample skews old and does not accurately reflect the ethnic composition of the Latino population in a given market. PPM data doesn't provide the granularity and confidence levels for specific demographic cells that AHAA agencies require to effectively recommend radio plans with confidence.

In a recent survey of AHAA member agencies, results indicated that PPM is inhibiting media professionals from effectively planning and purchasing radio for their clients. Additionally, with the announcement from Univision that they will not encode until PPM is accredited by the MRC, the job of media buying will be made even more difficult. The data for

entire markets will be unusable making a bad situation even worse for advertising and media buying agencies.

Inaccurate ratings, and now data that doesn't include a majority of stations in select markets, is forcing agencies to recommend radio for advertisers based on historical knowledge of the stations' performance rather than their clients' objectives. While the consequences aren't devastating to agencies and advertisers yet, advertisers will begin to question the reliability of radio to deliver sales because the PPM ratings are not representing the buying audience. Additionally, the relative cost and rationale for including radio in our media plans will be increasingly difficult to justify to clients as the unexplained drop in ratings has driven up the cost per point (CPP). Spanish-language broadcasters are experiencing devastating effects to their businesses and many smaller station owners have been, and will be, forced to close eliminating a vital lifeline to critical information for Latino communities and a valuable medium for advertisers.

PPM is a more precise tool designed theoretically to capture more accurate ratings; however, it is simply exacerbating the inaccuracies in sampling methodology. With such small samples of, for example 23 Latinos for a given age cell, agencies are unable to break out characteristics of a specific audience within that sample and the numbers are inaccurate. For advertisers whose objectives are to target all ethnicities within the Hispanic segment than agencies don't require that breakdown but that's usually not the case. Some clients are interested in covering specific zip codes, which is especially critical for advertisers that have limited distribution or locations. Others may cater to a specific ethnic group of Hispanics and country of origin is critical. The PPM sample size and data doesn't allow for that analysis.

AHAA has two member agencies represented on Arbitron's Advertising Council whose members have been articulating the issues 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 and on May 21, 2009 met with Arbitron CEO Michael Skarzynski and his senior management team to express the industry's concerns and frustrations in-person.

PPM resolution is critical to Hispanic-specialized advertising agencies and AHAA is earnest in the organization's support for reform.

IV. The Effects of PPM on Hispanic-Specialized Advertising Agencies

It is still premature to quantify revenue impact on Hispanic-specialized advertising agencies. As of now, and given the importance that Hispanic radio plays among the Latino community, Hispanic-dedicated agencies have been more creative in maintaining radio in their plans. The question remains for how long we will be able to keep radio in our plans as Arbitron continues to roll out more markets and we continue to see ratings declines of 50% and higher. The reality is that clients compare the efficiencies of a medium based on cost-per-thousand (CPM) and purchasing radio becomes more expensive than TV from a CPM perspective, it will be difficult to defend radio in our media plans. This means, we will start cutting radio from our plans or the radio broadcasters will have to reduce their rates by 50%: Hispanic broadcasters would not be able to sustain those cuts and stay in business.

And, if the number of radio stations begins to disappear, the Hispanic industry will not be the robust marketplace that is today. If we have fewer mediums it will imply fewer consumers and will result in less interest from clients to advertise to this community. This will automatically have a financial effect on Hispanic agencies, potentially leading to agencies having to close their doors. In conclusion, the negative impact that the PPM with its current sampling structure will have on the Hispanic-specialized advertising community, can be devastating for an industry that has been flourishing for decades. The potential implications could be a loss of thousands of jobs in Hispanic-specialized agencies not including Hispanic dedicated agencies that are part of global conglomerates in which 80+ percent of their staff is Hispanic. Not to mention the financial ramifications these firms may experience as well. Will it happen today or a year from now? No – definitely not. But we certainly will start seeing the effect a year to two from now unless something is done and it is done quickly to fix the Arbitron/PPM mess.

Short-term, agencies dedicated to Hispanic advertising have implemented different approaches to continue purchasing Spanish-language radio. However, this takes more time, requires additional manpower, and agencies cannot ask clients to compensate them for this additional time for which Arbitron's flawed methodology is responsible. Agencies will begin to lose money on radio buying as they will not be compensated for the additional manpower required.

Respectfully submitted,

The Association of Hispanic Advertising Agencies

8400 Westpark Drive, 2nd Floor
McLean, VA 22102
703-610-0231