Media Insight

2002

A National Study of Agency Perceptions of Cable

Experiences with, Attitudes About and Recommendations for Local Media

ARBITRON
• cable

The Executive Summary

In first quarter 2002, Arbitron commissioned King, Brown and Partners, Inc. to survey senior-level decision makers from Top 50 agencies and major buying services to ascertain their opinions of various advertising vehicles, with an emphasis on the cable television industry. Their candid responses provide us with a benchmark of how cable is perceived in relation to other media options, and what the cable industry can do to improve its relationship with these industry leaders. We asked these senior-level decision makers to tell us what is important to them when they develop a plan, execute their buy and evaluate the results. Specifically, they told us their opinions and experiences in the following areas.

Please note that the balance of this report, beginning on page 5, provides detailed information on other areas of questioning, as well as comprehensive data to support the observations stated in the "Executive Summary."

Where are the local dollars being spent and why?

When we asked the respondents what medium receives the majority of dollars in a typical local market buy for their top spending account, broadcast television came out on top with almost 50 percent. About a fifth of the money is spent on radio, 19 percent on print, and 11 percent on local cable TV.

When asked how dollars are allocated by medium when developing a media plan, fully one-third of the respondents told us it varies so much by the client's objectives and creative execution that it was difficult to say. Achieving reach and frequency goals received many mentions. Interestingly, fully one-quarter said they are not involved in the process, or did not know.

What influences their buying decisions?

We asked them to rate a list of characteristics as very or somewhat important. Based on the results for those who considered the factors very important, the two greatest strengths of cable—demographic targetability and geographic targetability—ranked very high, with 82 percent and 67 percent, respectively. However, the advertisers' need to achieve reach and frequency (75 percent) and GRP (72 percent) goals was almost equally important. Interestingly, only 58 percent consider achieving CPP/CPM goals as very important, and only 63 percent said reach was very important when choosing media for a plan. In fact, six out of 10 say that knowing the qualitative characteristics of the consumer they are reaching is very important. Just over half feel that the quality of the programming environment is very important, an area which some of these respondents expressed as a reason their clients are not using cable television. Of less importance to respondents are more value-added services, such as whether there are promotional tie-ins included in the buy, the ability to reach targets out of the home and having creative production available to them.

How does cable stack up against other media?

The top five media all respondents consider easiest to purchase (they were rated as somewhat or very easy to buy) are radio (85 percent), local broadcast TV (78 percent), magazines (73 percent), national spot broadcast TV (68 percent) and network cable TV (63 percent). As for cable television specifically, 37 percent view local cable as somewhat or very easy to buy.

The primary reasons why nearly half (47 percent) of respondents feel that buying national cable is not easy are:

Cumbersome Buying Process	35%
Lack of Ratings Data	35%
Not Cost Efficient	20%
Sales Staff Issues	15%

Just over half (55 percent) of the respondents believe that buying local cable is not easy:

More Consolidation Needed	52%
Lack of Ratings Data	41%
Talent Issues	19%

What can cable do to increase its share of the buy?

We asked respondents to tell us the one thing cable television could do to increase the amount of money they would spend on it next year. The number one comment was to provide better research that is more easily available. Improve the buying process was a close second, and increase audience size finished last.

Following are some ideas, in respondents' own words, of what cable can do:

Provide Better Research	**38%**

"Make the ratings data available and easier to use."

"Provide more in-depth research, more research to make my job easier."

Improve the Buying Process	**31%**

"Develop electronic buyer/seller communication."

"Let me buy it the way I need to buy it. Don't dictate the times that I need to buy it. Daytime cable is not what I want to buy. Let me buy it with the frequency that I know will work."

Increase Audience Sizes	**14%**

"I think the cable channels have to have a larger audience because there is so much fragmentation in the market. Broadcast stations still carry the largest audience, so each cable network has to increase its viewership."

Related to additional research, an overwhelming majority said they would be more likely to buy cable television if they could get demographic ratings in key dayparts for all cable networks. A large majority also would be more likely to spend more money on cable television if they had access to a service that does not exclude cable networks because of minimum reach standards.

When asked what the local cable interconnect could do to help a decision maker justify spending 30 percent of their TV budget on cable, the most common response (42 percent) was simply provide the research to support it.

What research resources are the most helpful?

We were interested in learning what role research plays in the media planning and buying process, specifically for cable television. While it is clear that research is critical in every step of the process, there is a consensus that the research currently available to the cable industry is inadequate, and not used effectively by cable television account managers. In fact, while research resources are widely viewed as very important, a quarter of respondents don't feel they have the resources that they need to buy cable. Most of those who disagree cite lack of reliability as the reason they feel they do not have adequate research.

How much interest is there in multimedia packages?

When asked about the trend toward media outlets offering multimedia packages (sponsorships that cover television spots, direct-mail inserts, channel crawls and tie-ins), 70 percent of the respondents have been presented them, and 71 percent of those people were very/somewhat interested in them. However, like their complaints about buying cable in general, most feel that there has not been adequate research presented to justify the investment of these multimedia packages.

Conclusion

We believe that, while cable television is a strong competitor in the fight for advertising dollars, it has a very real opportunity to significantly increase its share of those dollars earned.

Media Insight 2002 reveals that there are several key areas that are important to advertisers:

- the ease of buying a medium
- the quality of the medium's sales staff
- the reliability of the research available to them

The cable television industry can impact all three of these areas, by committing to the following:

- Reevaluate the buying process to determine which areas can be modified.

- Invest in training to educate salespeople on their customers' industries and the buying process in general.
- More effectively use the research that is available, even if it does not adequately measure cable television. In other words, make the most of what you have.
- Lobby for, and support, an audience measurement service that is objective, reliable, and easily available to the buyer and seller.

It is our hope that you find this information valuable and will consider its implications when developing strategy in the areas of sales staff training and development, the support of research services that represent cable television's unique characteristics, and the approach to packaging various properties to create more value for your customers.

The Study

Arbitron Inc. is an international media and market research firm serving radio and TV broadcasters, cable companies, advertising agencies, advertisers, outdoor companies, and the online industry in the U.S., Mexico and Europe. The mission of Arbitron's dedicated Cable division is to be the leading provider of consumer information for the cable industry. Arbitron Cable delivers solutions to its clients' business challenges.

Advertising decision makers have more choices now for reaching their customers than they ever had, making the media planning and execution process far more complicated than it has ever been. This new landscape impacts how plans are developed, executed and evaluated. Arbitron Cable's customers tell us they are interested in taking a pulse of media-buying decision makers to determine what drives their decisions to choose one medium over another, what is important to them as they develop their marketing plans, and how these media are evaluated postbuy.

With *Media Insight 2002*, we attempt to answer these questions, laying a benchmark for media decision makers' perceptions of media options such as broadcast and cable television, radio, print and the Internet. Arbitron Cable is committed to providing the cable television industry with an annual Media Insight study, which can serve as a blueprint of what senior-level decision makers consider important in their media evaluations and executions. This annual study can be a tool for cable television executives to measure their industry's performance each year in relation to the other forms of advertising. Further, it is our recommendation that the cable television industry use these national studies as baselines against which to evaluate the performance of their own company, specifically via primary research studies conducted by Arbitron. These custom studies can evaluate sales staff performance on a local market level, provide insight into postbuy satisfaction, and even evaluate the effectiveness of marketing materials.

We hope you find the results valuable and actionable in your everyday business, and that you keep them in mind as you develop your long-term strategy for earning your customers' trust, respect and business.

The Objective

The objective of this national study is to provide the cable television industry with baseline understanding of the perceptions major advertisers have of their advertising options. We will look specifically at how cable television performs in relation to these options, and what the respondents' recommendations are for increasing cable's share of the business.

We asked senior-level decision makers at Top 50 agencies and major buying services to tell us what is important to them when they develop a plan and evaluate their media options. Specifically, we asked them the following types of questions:

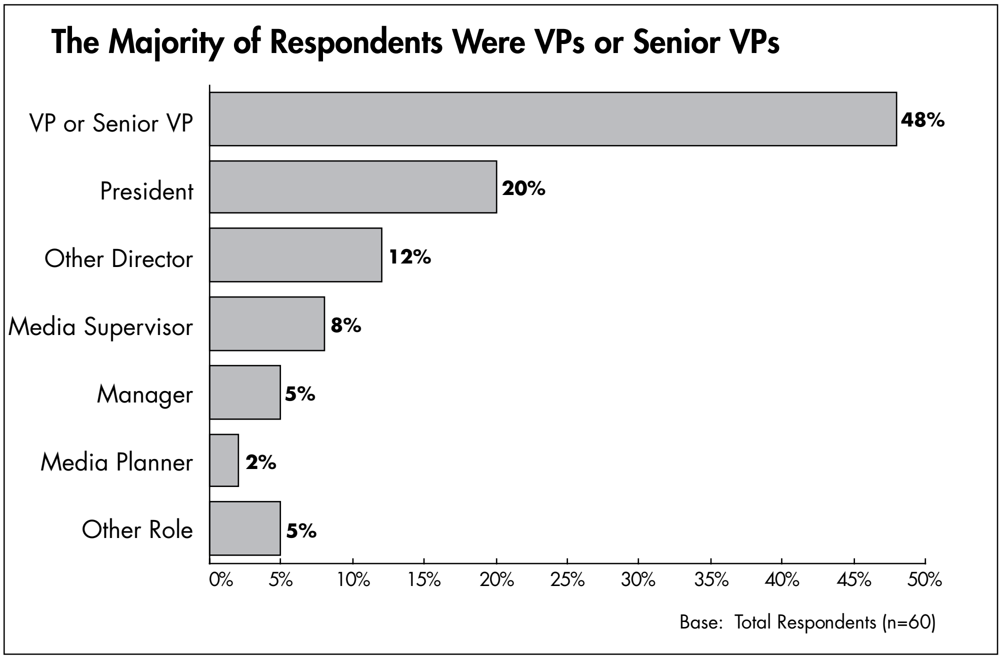
- How do different attributes such as geographic targeting, cost efficiencies and the quality of the programming environment impact your decision?
- In a typical local market buy, what is the budget allocation for broadcast television, radio, cable television and print?
- How would you rate the ease of working with cable companies in relation to other media?
- What can the cable television industry do to increase its share of the buy?
- What are the research resources and software platforms you use to evaluate a cable television buy?
- What is the general process you go through in determining how to allocate dollars by medium when you are developing a media plan?
- What is your interest in multimedia packages, and has there been adequate research presented to justify the investment in them?

The Methodology

Arbitron contracted King, Brown and Partners, Inc. (KB&P) to conduct *Media Insight 2002*. KB&P is a full-service market research firm that provides research services to a wide range of clients, including those in the computer, Internet, IT, financial services, healthcare, telecommunications, consumer products, retail, entertainment and media industries. Specifically, KB&P has worked with cable companies such as Comedy Central, Discovery Communications and the Disney Channel

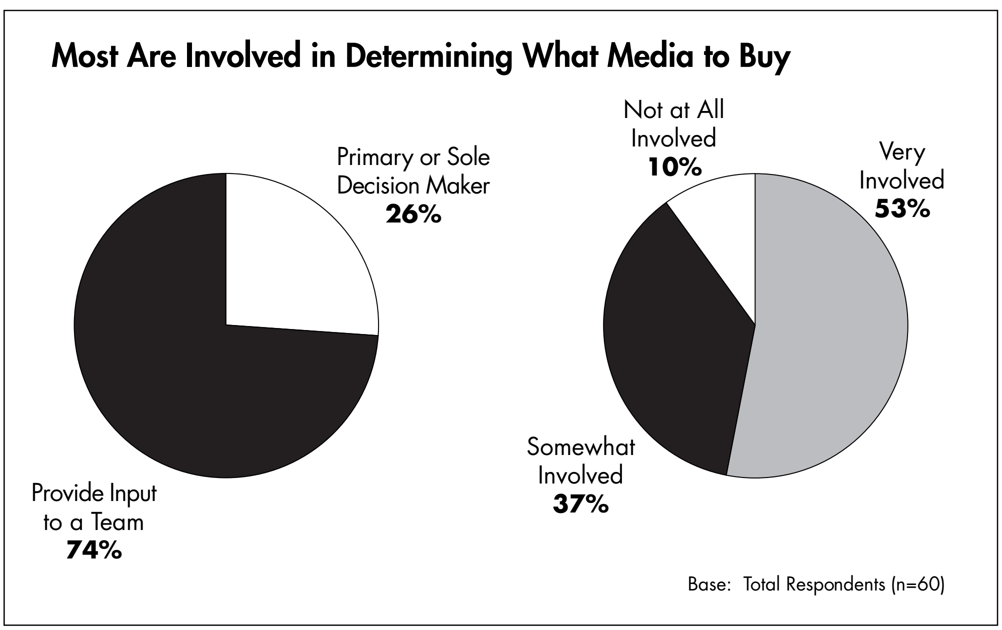
For the sample, Arbitron's Advertiser/Agency Services division provided the names of 400 senior-level decision makers who work at Top 50 agencies and major buying services across the U.S. A total of 60 interviews were completed. The breakdown of these decision makers' titles follows:

About half of respondents work for a buying service and another third work for a full-service agency. On average, they have been in their current position close to eight years.



About a quarter of respondents are the primary decision makers for media buys. Nearly all say they have involvement with most of their clients in terms of determining what media to buy.

The decision makers are responsible for media buys in all regions of the country, with 62 percent involved in media buys on the East Coast, 55 percent on both the West Coast and in the South, and 53 percent in the North Central region.



Their customers represent a well-balanced variety of advertisers, ranging everywhere from a regional car dealer to American Airlines. The following is a sampling of the industries and advertisers the study respondents represent:

From the food and restaurant industries:

- Campbell's
- Domino's Pizza
- Jack in the Box
- Nestlé
- Popeyes
- Steak 'n Shake

From the entertainment industry:

- 20th Century Fox
- Foxwood Casino
- CBS

From the automotive industry:

- Ford
- Lexus
- Estes Chevrolet
- Toyota

From the retail and services industries:

- AT&T
- Exxon
- Eyecare Centers of America
- Galyan's
- Hewlett Packard
- Jenny Craig
- Jiffy Lube
- Republic Bank
- Spring PCS

From the healthcare industry:

- Pfizer
- Alegent Health
- Clinical Trial Patient Recruiting

From other industries:

- Brown & Williamson
- Unilever

The interviews were conducted January 16-25, 2002. Each interview lasted roughly 25 minutes.

The Findings

The respondents were asked a series of both closed and open-ended questions regarding their experiences with, and perceptions of, media planning and placement. While several of the questions related to their opinions regarding a variety of media, our probes focused specifically on cable television. This emphasis allowed us to delve deeper into some areas, such as ease of buying, to learn about cable television's specific strengths and areas that they perceive require improvement. The findings are organized to mirror the flow of the media process, from the foundation ("The Framework") to the analysis ("The Post"). We also include the respondents' recommendations for what the cable television industry can do to earn a larger share of the business. Their ideas are not revolutionary, but do require a strong commitment to invest in improving the buying process, developing the sales staff, consolidating markets and providing more reliable research.

The Framework

It is important to know what level of experience the respondents have with each medium, since this study's objective is to ascertain their opinions on the various media options. Therefore, we learned that nearly all decision makers say they purchase radio (88 percent), local broadcast TV (86 percent) and local cable TV (78 percent) on a regular basis. Less than half say they regularly purchase national spot cable TV (47 percent), network cable TV (47 percent) and Internet/Web (37 percent).

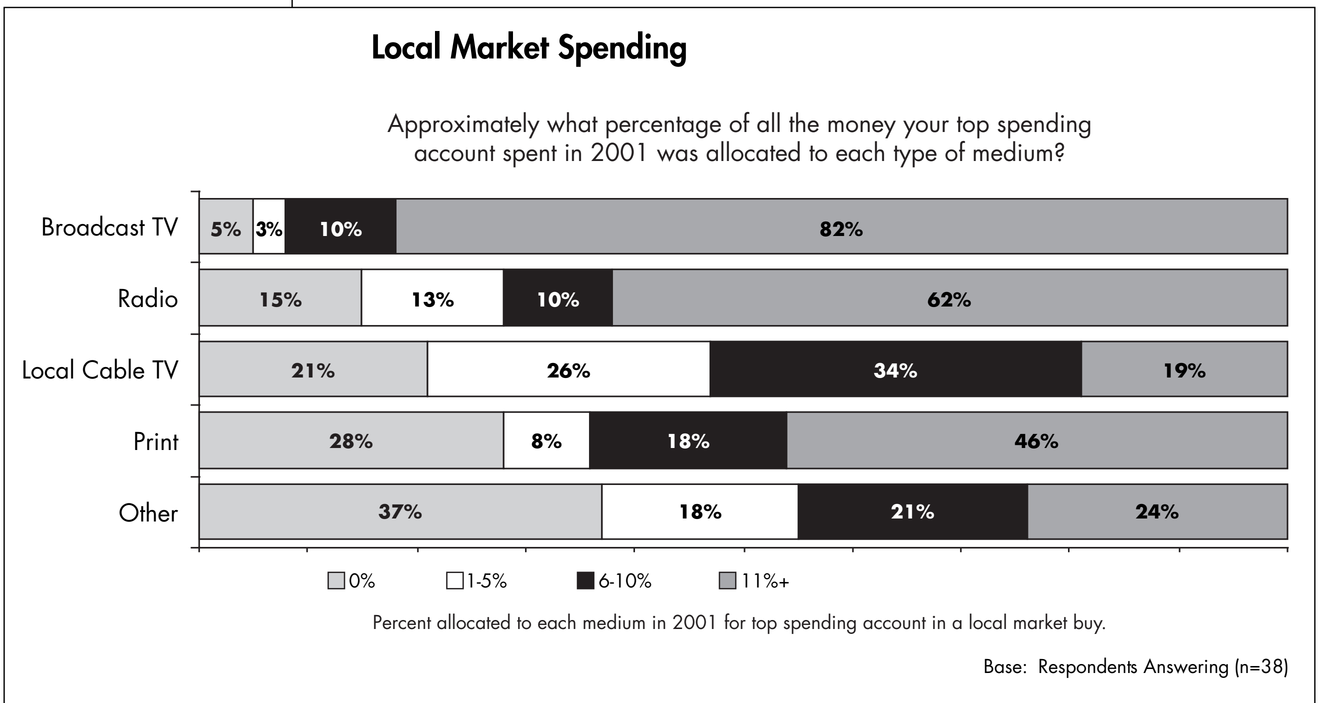
Local Market Media Purchased

Which of the following types of media do you purchase for clients on a regular basis?

Media	Purchase on Regular Basis for Clients
Radio	88%
Local Broadcast TV	86%
Local Cable TV	78%
Magazines	63%
Newspaper	62%
Outdoor	60%
National Spot Broadcast TV	55%
National Spot Cable TV	47%
Network Cable TV	47%
Internet or Web	37%

Base: Total Respondents (n=60), Those Who Purchase Each Medium

When we asked the respondents what medium they spend the most dollars on in a typical local market buy for their top spending account, broadcast television came out on top. In fact, on average, nearly half of the money is spent on broadcast TV (44 percent). About a fifth of the money is spent on radio (19 percent) and print (19 percent) each, with local cable TV getting 11 percent.



Respondents were told to think of their top spending account in a typical local market buy. They were then asked approximately what percentage of all the money they spent in 2001 was allocated to each of the five medium types shown.

The bars in the graph represent the percentages allocated for each medium. The "averages" represent the average amounts for each medium for all respondents combined.

The Plan

When asked how dollars are allocated by medium when developing a media plan, fully one-third of the respondents told us it varies so much by the client's objectives and creative execution that it was difficult to say. The area that had that same number of responses is achieving reach and frequency goals, at 30 percent. Nearly one-quarter (23 percent) said they are not involved in the process, or did not know. The next most-mentioned area was various research tools and resources—which ranged from proprietary tools to viewing or media consumption quintiles. While we can assume that looking at reach and frequency may be part of the evaluation, it is a far more complicated process. The client's overall budget came in at 16 percent, and other various responses made up 13 percent.

What respondents said about how dollars are allocated by medium:

Varies by Client's Objectives/Ad Messages/Creative Developed **30%**

"Marketing strategy, media strategy, campaign needs, past history."

"A lot has to do with the message and the client's desire. No formula all the time...depends by client."

"It varies by client."

"No standard answer...each situation evaluated differently."

Reach/Frequency **30%**

"First tool is making sure the primary target audience is being reached by that medium."

"It all depends on the client location, the greatest reach and frequency."

"The number of people it can reach."

"Percent of population reached of my demo. Qualitative, geographically where they are."

Client's Budget **16%**

"Each client is different. It's usually a budget issue. It depends on the money they have for advertising."

"It starts out with the budget. Budget will determine it. Budgets are often too small. TV is not just considered for cable."

"It depends on how much the client has for advertising. Television first. I use cable as a backup and radio for specific sales."

Research Tools/Resources **21%**

"We use a multimedia mix analysis tool. We take into consideration the metrics against defined targets."

"Use proprietary research, listening and viewing habits, then look at the qualitative audience research."

"Proprietary inventory tools, standard industry tools."

"I use viewing quintiles or media consumption quintiles, derived from MRI data."

"Information that we use is Strataview, Scarborough and MRI, and research reports will determine where we go as far as cable, radio, TV or Web. We go by the demo, and we tend to go by the Internet if our demo indicates that."

Not Involved with Process/Don't Know	**23%**

Other	**13%**

"It's more based on the strength of the cable rating."

"Ability to enhance the creative through the environment the advertising appears in. Fit with the lifestyle of the target audience."

"Years of experience...the collective experience of the buyers here."

"The strengths and weaknesses of each medium and the purposes that they serve."

Some quotes, such as the two following, involved several different steps. Therefore, they were split up into different areas for our classifications:

"We use a multimedia mix analysis tool. We take into consideration the metrics in my earlier answer against defined targets. Look for impressions, reach. Look for impact of sales."

"First tool is making sure the primary target audience is being reached by that medium. I use Nielsen, Arbitron, Scarborough, MRI. Also, competitive spending in similar media. Geography; the concentration of a target audience, where they are."

With such variety in the responses, it is clear that there is not one standard in place when making such an important decision. Therefore, these data clearly support that well-known fact that you have a much better chance of earning a larger share of the business if you get buy-in at the planning level. Otherwise, you are just fighting for your share of the dollars already allocated, rather than impacting how cable television fits into the overall plan.

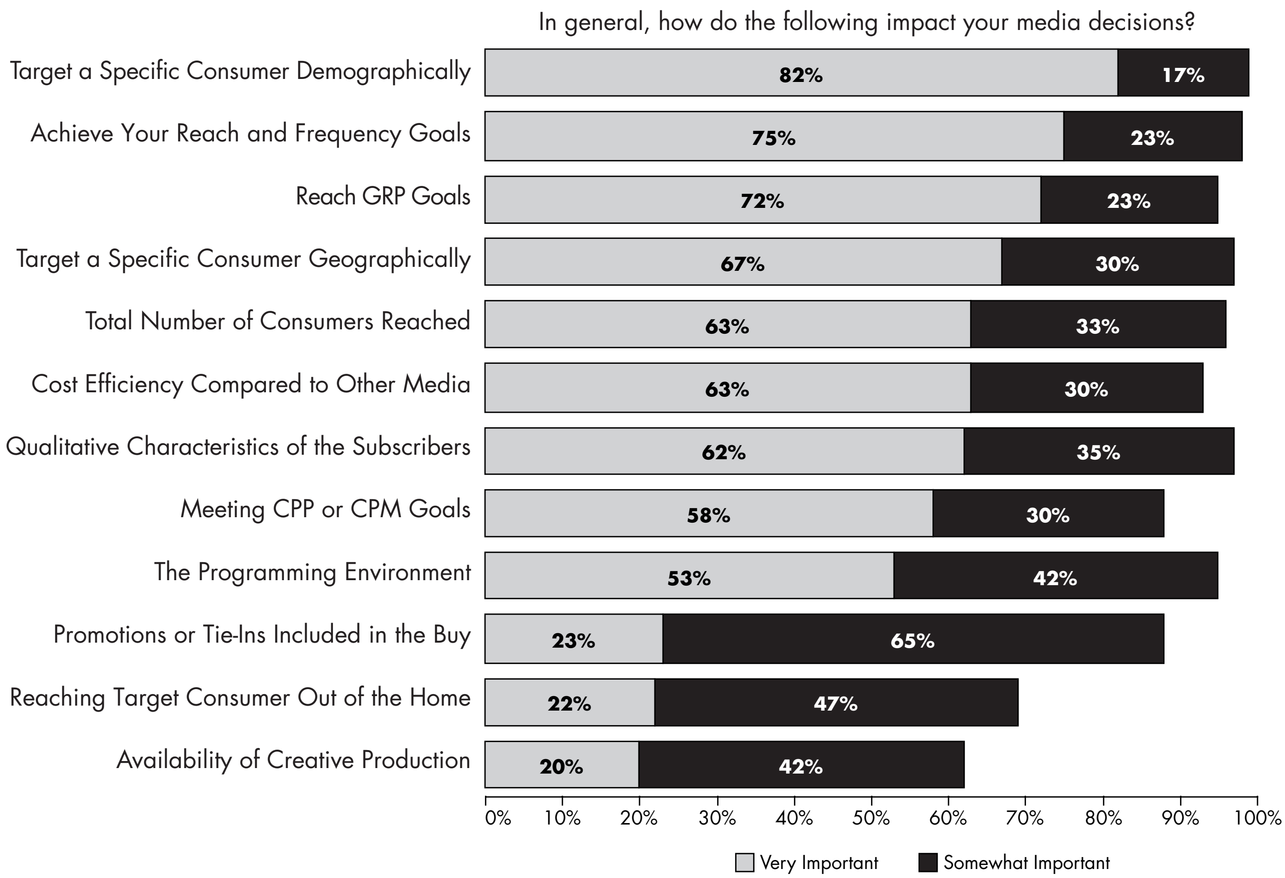
We were also interested in the importance the respondents placed on specific media characteristics. When we asked them to rate a list of these characteristics as very/somewhat important, the ability to achieve their goals in a highly targeted environment was the clear winner. In fact, even though broadcast television spending outweighs cable television 4 to 1 for these respondents, one of the well-known benefits of broadcast TV advertising, reach, came in at number five. Only 63 percent said reach was very important when choosing media for a plan. However, the ability to target the consumer demographically and geographically (areas that are strengths of cable TV) ranked high with 82 percent and 67 percent, respectively. What may give broadcast TV the advantage is the advertisers' need to achieve reach and frequency (75 percent) and GRP (72 percent) goals.

Not all efficiency measures, however, receive the same weight of importance. For example, while reach and frequency and GRP goals are among the most important, only 58 percent consider achieving CPP/CPM goals as very important. In fact, knowing the qualitative characteristics of the consumer you are reaching earns 4 points more: 62 percent find it to be very important.

Fifty-three percent feel that the quality of the programming environment is very important, an area that some of these respondents expressed as a reason their clients cite for not using cable television.

Of less importance to respondents are more value-added services like whether there are promotional tie-ins included in the buy (23 percent), the ability to reach targets out of the home (22 percent) and having creative production available to them (20 percent).

Factors That Influence Media Decisions



Base: Total Respondents (n=60)

Targeting, either demographically or geographically, and achieving reach, frequency and GRP goals are most important to these advertising executives. They are far less concerned with promotional tie-ins, reaching targets out of home and having creative production available to them.

The Buy

We were interested in the perceived ease of buying each medium, and whether those results may impact the dollars actually spent. We asked our respondents to rate how easy it is to buy several different types of media. Here are the results:

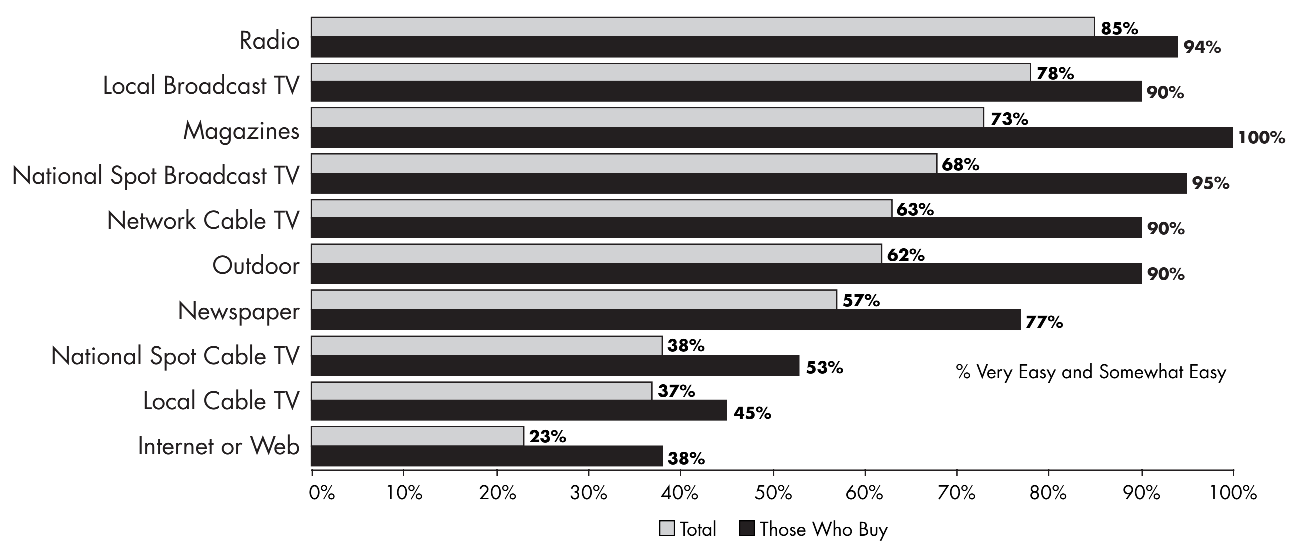
Top Five Media All Respondents Consider Easiest to Purchase (Rated as Somewhat or Very Easy to Buy)	
1. Radio	85%
2. Local Broadcast TV	78%
3. Magazines	73%
4. National Spot Broadcast TV	68%
5. Network Cable TV	63%

Interestingly, the same media are represented in the rankings of those who actually purchase each medium. Magazines (100 percent), national spot broadcast TV (95 percent) and radio (94 percent) rank at the top. Local broadcast TV, network cable TV and outdoor all tie for fourth place with 90 percent, and newspaper came in fifth at 77 percent.

National spot cable TV (38 percent), local cable TV (37 percent) and the Web (23 percent) are least likely to be seen as easy to purchase among all respondents.

As for cable television specifically, for all respondents, network cable is viewed as much easier to buy than local or national spot, with 63 percent of respondents viewing network as somewhat/very easy, versus only 38 percent and 37 percent saying the same for national spot and local cable, respectively. The findings are similar among those who buy the media: 90 percent view network cable TV as somewhat/easy to buy, versus only 53 percent for national spot cable TV and 45 percent for local cable TV.

How Easy Is It to Buy Different Media?



Base: Total Respondents (n=60), Those Who Purchase Each Medium

If a respondent said that buying national spot or local cable television was not easy, we asked them to tell us why in their own words.

The primary reasons why nearly half (47 percent) of respondents feel that buying *national* cable is not easy are:

Cumbersome Buying Process	35%

"It's very fractionalized, hard to track down the systems and it is not very negotiable."

"It's a very fragmented marketplace. There are too many possibilities and not enough packaging of opportunity."

"Because it is fragmented. Penetration is inconsistent across the country."

"Because there are so many independent systems. There are not a lot of interconnects."

Lack of Ratings Data	35%

"The measurement isn't accurate or standard."

"I would say it is probably the number of choices, and the data is not as good."

"Lack of data, lack of good data, data that is stable, lack of reliable data."

"There is not much research to back it up."

"All the measures of cable locally are lousy."

Not Cost Efficient	20%

"It's not easily affordable. It is easier to buy from one place, but it is much more expensive to buy it from one place."

"Too expensive, which means not efficient."

Sales Staff Issues	15%

"Understaffed and not trained well."

"They don't understand the media, they don't understand the clientele they are dealing with."

"Unsophisticated sales force and poor back rooms."

Just over half (55 percent) of the respondents believe that buying *local* cable is not easy:

More Consolidation Needed	52%

"Complex number of systems relative to the number of people you are trying to reach."

"Too many local cable suppliers to deliver a market."

"Too many geographic areas and too many outlets."

"Because it is too many systems. In any given market, there can be a ton of systems."

"Too many various systems."

Lack of Ratings Data	41%

"There is no measurement or standard."

"Lack of reliable data. Lot of error around the estimates, and the measurement biases lower-rated channels."

"The ratings information or lack thereof."

"No accurate method to measure local cable."

Talent Issues	19%

"The salespeople are not familiar enough with their product because things are so new."

"They are unsophisticated."

"The quality of sales organization is not up to standard."

The Perceptions of Cable

In order to gauge the perceptions the respondents have about cable television on a wide range of issues, we read them a series of statements and asked them to tell us whether they agreed or disagreed with them. Please note that these questions were asked about cable television only. No other media were included in this question.

While More "Somewhat Agree" Than "Strongly Agree," a Majority of Respondents Still Agree That:	
Cable TV is beneficial for targeting	86%
They often recommend cable as part of the overall media mix	65%
Cable television is primarily a frequency medium	61%

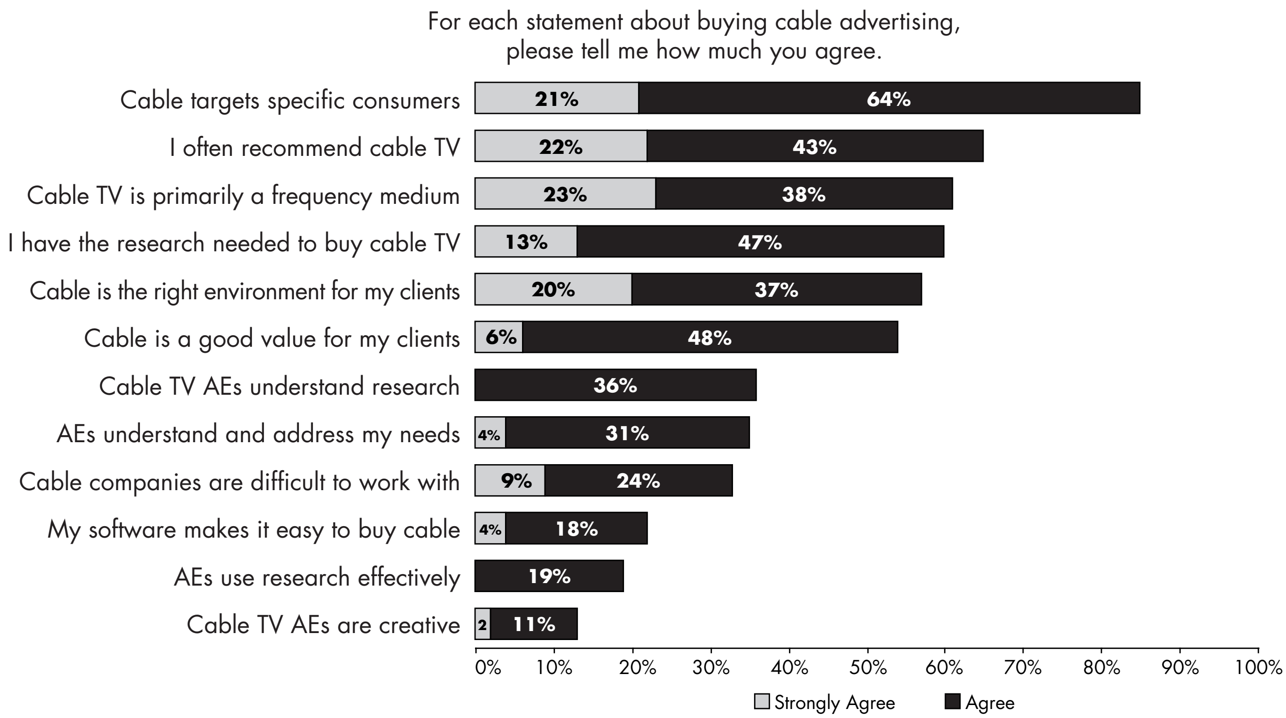
While 48 percent agree that cable is a good value for their customers, only six percent strongly agree.

Only 12 percent agree that cable account managers are creative. Just over a third (35 percent) agree that cable account managers understand their needs and proactively seek ways to address those needs.

Decision makers are most likely to feel that cable is good for targeting and is a frequency medium. However, they don't feel cable account managers offer compelling or relevant research, or are creative.

Those who buy network cable are more likely to say they often recommend cable as part of the overall media mix. Also, those who have auto and retail accounts are more likely to agree with each of these statements.

How Agencies Perceive Cable



Base: Respondents Answering Each Item

When asked if they have ever been given objections by advertisers to use cable, the largest number say they have not had any objections. A few say that their clients feel that cable does not have enough reach or is not cost efficient.

While just under 50 percent of respondents say their clients have not objected to using cable television, those who have objected cite lack of reach (22 percent) and cost inefficiencies (15 percent) as the primary reasons.

Here's what they said about objections given by advertisers to using cable television:

None	**42%**

"I haven't received any."

"No objection."

Not Enough Reach	**22%**

"It's not cost efficient on a CPM or cost-per-point basis. Low reach."

"Lack of reach."

"The audiences are not big enough and too fragmented; not enough reach."

Cost Is Inefficient	**15%**

"Ratings are too small, costs too high. You have to use too many spots. Research is inadequate most of the time and is usually not in their area or is too expensive."

"Main objection is cable not competitive on a cost-per-spot basis. Becomes a budget issue."

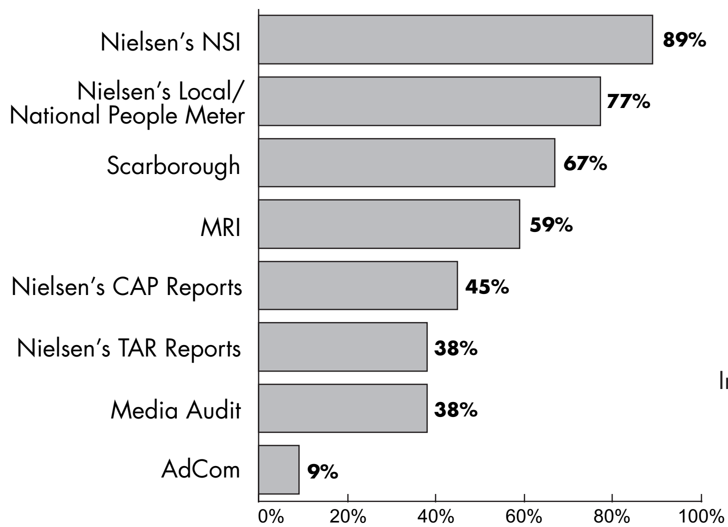
The Role of Research

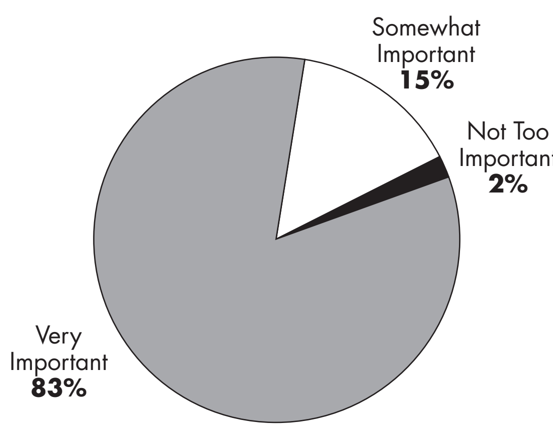
We were interested in learning what role research plays in the media planning and buying process, specifically for cable television. While it is clear that research is critical in every step of the process, there is a consensus that the research currently available to the cable industry is inadequate, and not used effectively by cable television account managers.

Research is heavily used as a tool to evaluate the effectiveness and efficiency of a buy. Fully 83 percent say the television research databases they use are very important when making their buying decisions. The databases they cite as used most often are Nielsen's NSI (89 percent), Nielsen's local and national people meter (77 percent) and Scarborough (67 percent).

Decision makers report using a variety of research resources. Not surprisingly, nearly all respondents feel these resources are very important.

Research Resources Most Frequently Used





Other Mentions:
Own Proprietary Research, Simmons, NTI, Metcosts, SZAB, Arbitron, SRDS, Mars, Strata

Base: Respondents Answering (n=55)

While research was widely viewed as very important, a quarter (24 percent) of respondents don't feel that they have the research resources that they need to buy cable. Most of those who disagree cite a lack of reliability as the reason they feel they do not have adequate research.

What respondents said when asked, What research resources would you need in order to buy cable television?:

"More demo information, posting information, and metered information."

"The local ratings and they need to be demographic ratings, no matter how small they are."

"Maps of coverage area. Just software that is compatible with Smart Plus."

"Audience figures—subscribers."

"I need market ratings for that DMA®. I need to match TV to look at it properly. I need Nielsen numbers."

"Ratings system, reliable ratings, better geographic coverage analysis."

"I'm not sure why the research isn't there, but it seems like, with the ratings, I have to estimate them and don't feel comfortable. Spot cable vs. network cable ratings—I'm pretty confident in them."

"Reliable ratings."

"More accessibility to ratings information."

"Nationally, the Nielsen sample is fine. Locally, the measures are worthless. Everyone knows the data is biased."

"Local ratings."

In response to a related question, fully half (50 percent) of advertising decision makers disagree that the software platform they use makes it easy to buy cable. Some of these respondents say they simply don't have access to cable ratings software while others feel that their system is too complicated to use.

What respondents said when asked, What is wrong with the software platform you use that makes it difficult to buy cable television?:

"It's designed based on the broadcast world, not the multiple channels in cable."

"Trying to break things down to the small geography I am trying to buy, there is no real research available—the numbers are derived."

"It's very difficult to use—and the interface is very difficult. Is it very expensive?—no."

"I can't. Only did it once. Not something you can only dabble in."

"Extremely complicated—way you refer to local cable outlets."

"You have to spend a lot of time on the setup. No formula for estimating ratings. The billing reconciliation is cumbersome. Difficult to post."

"I don't use software—I subscribe to the book—so when it comes to cable I am dependent on the cable station."

"It is a system problem—we are set up with stations with call letters. It is very confusing."

"The sample sizes are so small—we don't get online ratings on our system."

"You can't track the different zones—very time consuming. Some of the old cable systems have tracking that is 40 to 50 pages long. Cable is always outside the market; can't keep close track of it. It is kind of a protective measure."

"I don't have the software to run it."

"We don't have a software program to buy cable TV."

"Lack of ratings, and it is just cumbersome to input cable into the system."

"Can't handle local cable."

"Our platform is not that sophisticated."

"Not intuitive."

"You can't get ratings with the platform."

"It needs the reliable ratings that are not available."

"We don't have ratings information."

"We don't have any way to measure the ratings or how the system performs independently."

"There are no local ratings for cable."

"It's not the platform's problem, it's the nature of the medium. The audience instability and fragmentation of ratings and poor local efficiencies."

"We use a program that doesn't have cable—does not bring up cable programs."

"We don't have software for cable ring or information. We would have to look at the qualitative information as to which rings could target our demo better."

When asked how research databases could be made better or more valuable, more reliable and up-to-date are the most often mentioned responses. Fully 45 percent of respondents feel research databases could be more valuable if they were more reliable and current.

Specifically, these executives call for maximizing sample sizes, having more frequent updates, providing more demographic data and finding ways to make the data more accurate.

Here are summaries of their comments as to how databases could be improved:

More Reliable and Current	**45%**

"Make them more reliable; maximize the sample."

"They can measure more often, provide cable ratings in all markets, and do a 52-week measurement."

"The accuracy of audience analysis: The diary does not match with household information and meter numbers we are looking at."

"Have a stronger sample base and provide more psychographic data."

Less Expensive	**14%**

"Make them cheaper. It is expensive for agencies to buy them."

"More affordable. I looked at some of the research out there we could use, but it is too expensive for our overall billings."

"Be cheaper. Price sometimes prohibits us from using their resource."

Nothing	**23%**

"Fine the way they are."

When read a statement about cable television and its use of research in the selling process, nearly four in 10 (39 percent) of the advertising decision makers feel that cable account managers do not offer compelling and relevant research that supports their recommendations. At the heart of this complaint is the perception that cable account managers are not sophisticated researchers and do not understand research and media buying. However, they do agree that the data available to cable account executives do not adequately measure the cable medium.

When asked, What are some specific reasons for why you don't think cable account managers offer compelling and relevant research?, the respondents replied:

"It lacks the backup that it needs. The facts are ungrounded."

"Don't think it is even out there…we don't use outside vendors…main thing is, we don't use someone else's research…slanted to what they are trying to say."

"There is a lack of research available. It is unreliable. There is a lack of confidence in how the numbers are evaluated."

"Their lack of knowledge and newness in the industry and info that is not made available to them; and local ratings not available so they cannot be combined with other media."

"I think they don't have time to sit and think about what I am trying to advertise. They don't get me back what I am looking for. I have to ask again and again."

"I just don't think they have enough available to them…on a local level."

"I don't think most of them know what they're doing with the research that is available to them. I think that it is the lack of training."

"They don't understand media."

"There aren't any numbers, parings for individual systems available, on a system-by-system basis."

"I don't think Nielsen does a good job of supplying ratings data."

"They don't provide the research."

"Mainly because the medium is still new and owned and operated by so many people, it hasn't had the chance to be uniform, and research is hard to come by."

"They don't know how to use research; they skew it to their benefit."

"They just aren't trained properly. Most of them are not professionals in media, they are just people hired off the street. They have not been given the tools, the tools that offer compelling research…haven't been trained properly."

The Post

Consistent with what they consider important, the largest number of advertising decision makers say they evaluate a cable buy's effectiveness on cost and the ability to move product/increase store traffic. Interestingly, almost one-fifth (18 percent) have no method for evaluating a cable buy.

Here are summaries of their comments on evaluating a cable buy:

Cost/Efficiency	**27%**

"To see if it is able to target our demo; if it will reach the budget that we target our client."

"It would be the systems, frequency and overall efficiency that I choose, and added value."

"Cost per points, cost efficiency, target the audience."

Sales and Store Traffic	**23%**

"If the phone rings with the client and you get traffic in the store."

"In-store traffic based on my retail clients and overall sales."

"By the number of phones calls and response my ministries receive."

Ratings	**13%**

"National buys—rating information, MRI kind of data, national optimizers."

"Take the books you buy off of the Nielsen numbers and then compare it to the actual Nielsen numbers when the buy is complete."

"Postbuy analysis of Nielsen ratings. Comparison of what was delivered versus what was purchased."

Do Not Evaluate	**18%**

"I don't have any specific ways."

How Cable Can Capture More Share

We asked respondents to tell us the one thing cable television could do to increase the amount of money they would spend on it next year. The number one comment was to provide better research that is more easily available. Improve the buying process was a close second, and increase audience size finished last.

Here is what they said cable could do to capture more advertising dollars:

Provide Better Research	38%

"Make the ratings data available and easier to use."

"Provide better info on viewers and how they watch cable."

"Provide more in-depth research, more research to make my job easier."

"Qualitative research on their audience."

Improve the Buying Process	31%

"Develop electronic buyer-seller communication."

"Offer more to the client, more packages, better rates, better promotions."

"Let me buy it the way I need to buy it. Don't dictate the times that I need to buy it. Daytime cable is not what I want to buy. Let me buy it with the frequency that I know will work."

"Make it easier in terms of negotiating a buy."

"More competitive rates."

Increase Audience Sizes	14%

"Have more available homes."

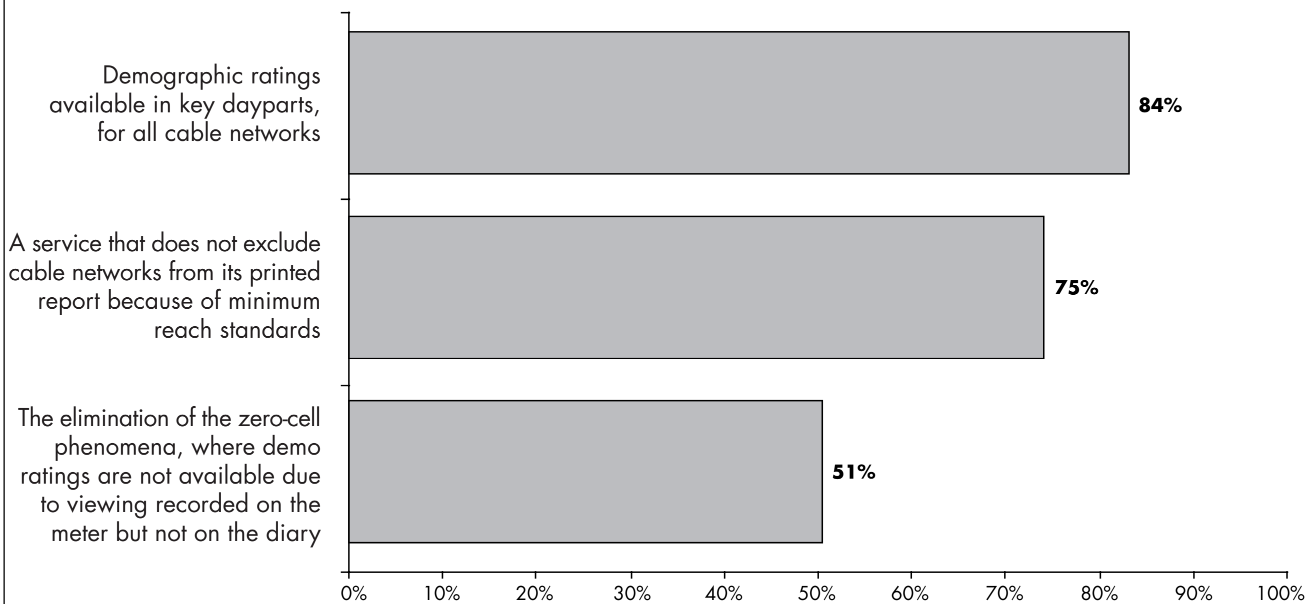
"I think the cable channels have to have a larger audience because there is so much fragmentation in the market. Broadcast stations still carry the largest audience, so each cable network has to increase its viewership."

"Have bigger audiences."

Related to additional research, when asked if they would be more likely to buy cable television if they could get demographic ratings in key dayparts for all cable networks, 84 percent said "yes." Seventy-five percent said "yes" to access to a service that does not exclude cable networks because of minimum reach standards.

If Information Were Available, Would You Buy Cable?

If research were available for cable television that provided the following information, how likely would you be to buy more cable television advertising?



Percent indicating they would be more likely to buy cable.

Base: Respondents Answering (n=55)

A very large majority of respondents say they would be more likely to buy cable if they could get demos in key dayparts and access to a service that does not exclude cable networks because of minimum reach standards.

When asked what the local cable interconnect could do to help a decision maker justify spending 30 percent of their TV budget on cable, the largest number simply want research to support the buy.

Here's a summary of what they said the interconnect could do:

Prove the Numbers	42%

"Back it up and show me where everything is coming from. Show me where they get the 30 percent."

"I don't think they could deliver that much, but if they were going to do that, if they provided ratings, that's all I need to see. If it was cost effective against all the other media, there is no reason why I would not buy them."

"I want demographic data to prove that it is reachable and affordable."

"Verifiable ratings and proof of performance."

Cost Efficiency	25%

"All they would need to do would be competitively price it with broadcast."

"If they can show just like a TV station. They also have to be cost competitive; just because they reach 30 percent, we don't have to buy them if they are not cost competitive."

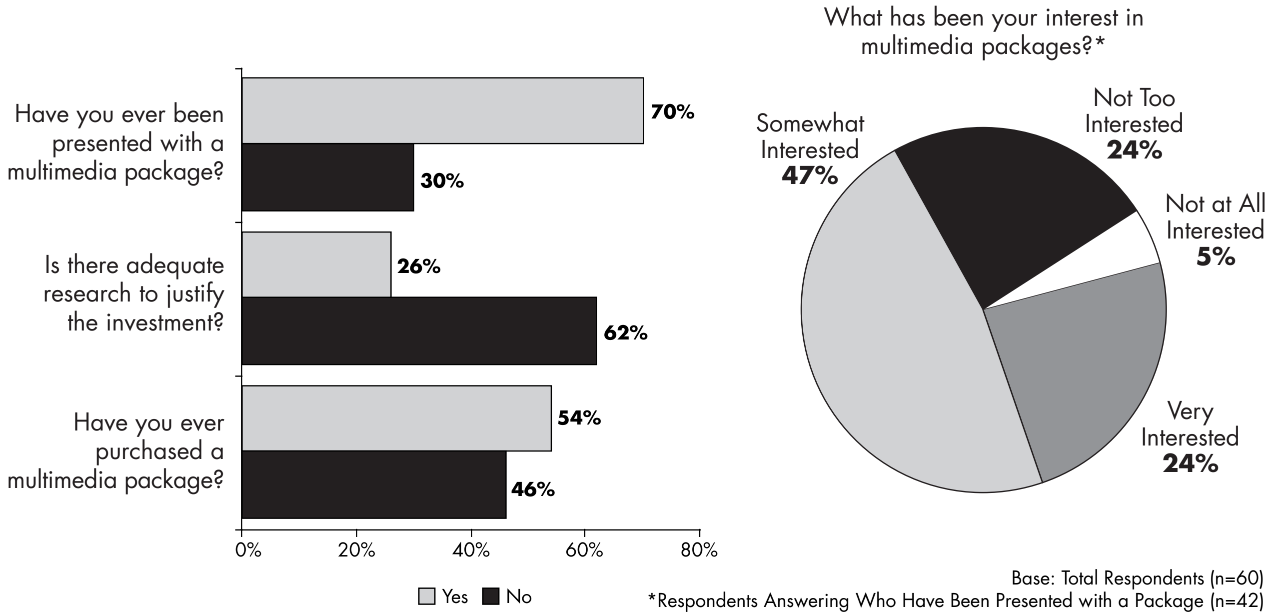
"Cost efficiency compared to spot TV in general."

"The cost-per-thousand difference between local and national."

Don't Know	18%

When asked about the trend toward media outlets offering multimedia packages which consist of sponsorships that cover television spots, direct-mail inserts, channel crawls and sponsorship tie-ins with the outlet to a specific event, 70 percent of the respondents have been presented them, and 71 percent of those people were "very/somewhat interested" in them. However, like their complaints about buying cable in general, most feel that there has not been adequate research presented to justify the investment of these multimedia packages.

Do You Purchase Multimedia Packages?



Base: Total Respondents (n=60)
*Respondents Answering Who Have Been Presented with a Package (n=42)

The Conclusions and Next Steps

Cable television is clearly a strong competitor in the fight for advertising dollars. Indeed, over three-quarters of the senior-level decision makers we spoke with purchase local cable television on a regular basis. Almost half of them buy network and spot cable regularly. Not surprisingly, cable television is viewed as an excellent vehicle for geographically and demographically targeting the consumer. In fact, six out of 10 often recommend cable as part of the overall media mix. However, for our respondents, in a typical local market buy, cable TV only earns 11 percent of the dollars spent.

We believe that cable television has a very real opportunity to significantly impact its share of those dollars earned. Even though audience size is important to these respondents, and the traditional broadcast media tend to be stronger in that area due to the nature of their design, there are several areas that are equally important to these advertisers: ease of buying a medium, the quality of the medium's sales staff and the reliability of the research available to them. The cable television industry can impact all three of these areas.

We suggest the following:

- **Reevaluate the buying process to determine which areas can be modified.** It is clear that the media decision makers want more flexibility in the dayparts/programs they buy, less complication in the actual execution and validation of the buy, and more consolidation in all markets.
- **Invest in training.** Educate your salespeople on the businesses they call on so they can better solve their problems, better understand the media buying process and better appreciate how cable fits into it.
- **Effectively use the research that is available.** Nearly 40 percent of the respondents feel that cable account managers do not offer compelling and relevant research that supports their recommendations. While many admit that the data may not exist, many also feel that AEs underutilize the information that is available to them. A lack of training is seen as a primary reason for this shortcoming.
- **Lobby for and support an audience measurement service that is objective, reliable and easily available to the buyer and seller.** It is clear that they want to buy cable but cannot always empirically justify it to their clients or themselves.

It is our hope that you find this information valuable and will consider its implications when developing your strategies in the areas of sales staff training and development, the support of research services that represent cable television's unique characteristics, and your approach to packaging various properties to create more value for your customers.

About Arbitron

Arbitron Inc. (NYSE: ARB) is an international media and marketing research firm serving radio broadcasters, cable companies, advertisers, advertising agencies and outdoor advertising companies in the United States, Mexico and Europe. Arbitron's core businesses are measuring network and local market radio audiences across the United States; surveying the retail, media and product patterns of local market consumers; and providing application software used for analyzing media audience and marketing information data. Arbitron Webcast Services measures the audiences of audio and video content on the Internet, commonly known as webcasts. The Company is developing the Portable People Meter, a new technology for radio, TV and cable ratings.

Arbitron's marketing and business units are supported by a world-renowned research and technology organization located in Columbia, Maryland. Arbitron has approximately 750 full-time employees; its executive offices are located in New York City.

Through its Scarborough Research joint venture with VNU Media Measurement & Information, Arbitron also provides media and marketing research services to cable and broadcast television, magazine, newspaper and online industries. Scarborough Research conducts syndicated surveys of consumers in 75 local markets and nationwide. Scarborough tracks more than 1,200 products and retail shopping categories into each database, reporting shopping behavior, product consumption, media usage, and lifestyle and demographic characteristics.

To learn more about Arbitron's services for the cable television industry, contact Carol Edwards, vice president of Cable Sales, at (443) 259-7598, or carol.edwards@arbitron.com.

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