# Television Ratings and Audience Measurement in the Digital Age

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In addressing these questions, it is perhaps worth noting at the outset that the patterns we are seeing now follow historical precedent. For many years, audiences that watched traditional broadcast television were worth significantly more, on a CPM (cost-per-thousand) basis, than cable television viewers, even when holding demographic variations constant. The FCC examined this issue in a 2000 report entitled "Do Advertisers Pay More for Viewers with Rabbit Ears?" (the answer turned out to be yes).

This, and other subsequent research in this vein has concluded that perhaps the two key factors that drive the devaluation of audiences on newer viewing platforms are: 1) transaction costs; 2) measurement uncertainty.

Transaction costs refer to the fact that advertisers have demonstrated a strong preference for minimizing the number of separate transactions involved in the purchasing of audiences (i.e., it's preferable to reach three million viewers via one popular program rather than via three less popular programs); and will in fact apparently pay a bit of a premium to do so. What this means for the current situation is that, to the extent that buying audiences on newer platforms represents (as it usually does) a separate transaction for the advertiser, this creates a significant disincentive.

Programmers are a contributor to this problem. Nielsen, for instance, has for some time now been offering a unified C3 rating that can account both for traditional TV and online viewing. The catch is that the programmer must employ the exact same commercial "load" on each platform (i.e., same commercials, same number of commercials, same sequence, etc.). Most programmers are continuing to opt not to do that; choosing instead to construct and price their TV and online commercial loads differently (hence, different transactions).

In terms of measurement, measurement systems certainly are lagging behind, but we may soon see the necessary systems in place that measure and report audiences on newer platforms in ways that are sufficiently compatible with traditional television audience measurement and valuation to satisfy advertisers. This is an important point to recognize – advertisers really do want to deal with the new media using the vocabulary and criteria that developed alongside the old media. Consequently, concepts such as gross ratings points are likely to stick around. Perhaps the most recent advancement we have seen on the measurement front is the just-announced collaboration between Arbitron and comScore to provide "five platform" television audience measurement (radio, TV, PCs, smartphones, and tablets) – the most ambitious effort to date to unify audience measurement across platforms and to take the process out of the platform-specific "silos" that have persisted in the audience measurement space.

It is also important to emphasize the completely new approaches to audience measurement that focus on – and have the potential to create value for – previously unmeasured and unvalued aspects of audience behavior. These new approaches have the potential to favor new platform viewers over old platform viewers, and to introduce a greater diversity of success criteria into the marketplace (and thereby potentially allowing a greater diversity of program types to thrive).

Let's consider, for instance, how the concept of "engagement" continues to take hold in the television space. Advertisers increasingly don't just want viewers – they want "engaged" viewers. This could potentially have a positive effect on the value of audiences who view programming via newer platforms relative to the value of "traditional" television viewers. This is where the long-held notion of the computer (and associated devices such as the tablet and smartphone) as a "lean-forward" medium and the television as a "lean-back" medium continues to have relevance. Because, not only are new platform viewers likely to genuinely be more engaged, but it also so happens that they are viewing television on platforms via which their increased engagement can be much more easily measured and quantified, given the greater interactivity of these platforms relative to traditional television.

And, we can take this one step further beyond the characteristics of the platform and consider also the characteristics of the users. That is, it is not surprisingly the case that younger, more technologically-savvy consumers are the ones consuming television programming via newer viewing platforms such as computers, tablets, and smartphones. It is also the case that these demographic groups are the most active in relation to the online activities (tweeting, blogging, file/link-sharing, etc.) that are serving as the primary inputs for many of the new and emerging measures of audience engagement that are increasingly being used as supplementary valuation criteria in the audience marketplace (think, for instance, of the growing market for social TV analytics). When we couple this with the fact that these are also the demographics that advertisers have traditionally valued the most, a future in which newer-platform viewing is much more effectively monetized might not be too far off.