A COMMUNICATION GUIDE

TO CLARIFY THE LANGUAGE, AND SHIFT PERCEPTIONS ASSOCIATED WITH THE LOCAL RADIO BUYING AND SELLING PROCESS.

Authored by AAAA/RAB Joint Radio Buying Guidelines Taskforce

Second Edition, December 2003

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In the spring of 2002, a joint task force was created between members of the AAAA Local TV/Radio Committee and the RAB Board of Directors. This group formed with the common goal of improving communication between Radio buyers and sellers, as well as insuring that the business processes we follow are universal and sustainable for our future. In order to be successful, this group has worked very hard to listen to each other so that we can jointly offer cooperative solutions to the industry and facilitate more effective opportunities to meet our respective goals.

When we began this process we quickly realized the scope of the project we had undertaken. Rather than give up, we acknowledged that our long-term vision would not be accomplished overnight, and decided to take small steps toward our goal. The first task we set for ourselves was twofold: First, to offer guidance regarding frequent misconceptions surrounding the buy/sell process; and second, to establish one library of terms to insure that all parties involved in the process speak the same language and have the same expectations. The product of this work is detailed in the attached pages.

This guide addresses just a few of the perceptions that currently exist between our groups. By calling these out, and offering our collective guidance, we hope to improve the overall process and solicit more ideas for future communication guides. Additionally, we have jointly agreed to definitions associated with everyday terms currently used in the Radio buy/sell process. It is our hope that these terms and definitions will replace all current resources to insure that all parties are saying the same thing throughout the business process.

We recognize this is a first step, but it's also a symbolic one. The Radio and advertising industries are working together toward a common solution and we know our combined efforts will deliver long-term benefits. But we can't simply issue guides and expect compliance. We need to insure our efforts are embraced by everyone to help us realize our goals. You can make a difference and we know our actions will gain momentum with everyone's help.

We believe a cooperative solution is much better than any we might find on our own. Expect to hear more from us in the future, and we look forward to your feedback. Please contact a task force member or your appropriate organization for more guidance on how you can help.

Perception

Buying ROS, or Run of Schedule, allows spots to run across a specified period of time. For example, 12 spots running as M-F 6a-12m ROS means that 3 spots will run in Morning Drive, 3 will run in Midday, 3 will run in Afternoon Drive, and 3 will run in Evening. In addition to scheduling, spots vertically throughout the day, these spots will also be horizontally distributed throughout the 5 days of the scheduled week.

Reality

ROS, or run of schedule, is a scheduling tactic used to receive a more favorable (efficient) rate, and still receive some spots in a desired daypart. However, ROS cannot replace the need to schedule spots within individual dayparts if this goal is a requirement. Units, which are scheduled on an ROS basis, reflect spots that can run at any time throughout the week and during any time over a specified period (5a-1a or 6a-12m as an example). Due to the constant shift in inventory demand at stations, the ROS spots will usually run in the lower demand areas such as 5-6a or after 9 or 10pm, as well as within days of the week that may be less congested. To a station and its traffic department, as well as the software programs used to traffic spots, ROS means that they have the ability to schedule these spots at any time there is available inventory, as well as code them as the first tier of spots most likely to be pre-empted if inventory demand tightens.

Task Force Recommendation

The task force recommends that ROS be used as a supplement to a specific daypart schedule rather than solely rely on its ability to deliver the desired spot distribution. Additionally, we suggest that the spots be assigned a minimal average quarter hour rating to insure delivery expectations are achieved. Since ROS schedules can provide an advertiser with more efficient pricing, the tradeoff will often mean a less desirable spot placement, or pre-emption, when station inventory tightens. In order to insure that the expectations related to ROS scheduling are met on both sides, we suggest that specific guidelines and requirements be discussed, drafted and agreed upon during the negotiation process in order to insure both parties agree to the terms of this scheduling tactic. These directions should also be confirmed and included in the contract at the time the broadcast order is placed

Perception

If a purchased schedule delivery is 100 Target Rating Points, it should deliver the same rating points after the schedule airs. If the schedule falls short of delivering these rating points, bonus weight will be given by the station or stations that have not delivered the expected ratings.

Reality

Radio is purchased by using existing Arbitron audience ratings for each station. Very often, a buyer will use the latest book available or a combined average of rating books to determine the audience delivery for a specific campaign. Because there are generally 2 to 4 Arbitron surveys (books) in a market each year, some buys may be working from data that is up to 6 months old. Additionally, spots are most often purchased on a daypart rotation basis (6-10a) and given the appropriate rating for these broad time periods. After the schedule runs, some variances can occur when buyers choose to re-rate the affidavit schedules with hour-by-hour data, instead of relating the delivery back to the original average daypart rating. This practice creates variances between the two data sets and often creates unnecessary confusion and concern regarding audience deficiencies. Over the years, Arbitron has conducted studies to track this variance and confirmed that their data should be viewed and translated in very specific terms to avoid inconsistencies and insure proper statistical relationships. Owen Charlebois, President U.S. Media Services at Arbitron Inc, confirms this sentiment:

"Since rating points are defined as the total persons listening in a given time period divided by the total population, audience delivery (rating points) for a daypart will almost always be different than the audience delivery for the specific hour or combination of hours within that daypart. For example, the rating point calculation for a 4-hour morning drive daypart involves averaging the total audience over all four hours of that daypart. This calculation is different, and the result will almost always be different, if one averages the audience over each of the individual hours within that daypart and then sums the 4 hours to a total."

This statement offers buyers and sellers very specific guidance when reviewing audience delivery and recommends that the calculations used to arrive at a rating point should always be compared with the same parameters as those set for the original quotation. For instance, if a buy is originally purchased with ratings reflective of the daypart average section, the final affidavit spots should be evaluated with the same data set. Likewise, if the hour-by-hour data was used to support the original purchase, the final comparison of affidavit spots should be reviewed with the same data.

Task Force Recommendation

The task force advises stations and buyers to follow consistent parameters when evaluating purchases and affidavit schedules to insure Arbitron delivery expectations are met. Additionally, we suggest that all expectations be clearly defined and recorded at the time of negotiation to insure both parties are accountable to the same reporting standards. We also advise that the agreement specifically details rotation expectations, day of week expectations, and rating delivery expectations based on daypart or hour-by-hour breakouts, and the specific rating books which will be used to measure final delivery.

Due to the variances that exist across demographics, dayparts, and the number of scheduled spots, the task force advises that both parties use caution when adopting delivery parameters and clearly discuss and understand the pricing implications associated with tighter specificity and more stringent standards.

Perception

A general market planning CPP (Cost Per Point) always provides for the ability to purchase the highest- ranking stations against a demographic.

Reality

Due to the high number of Radio stations in most markets, a general market CPP is often based on the use of a broad combination of stations with various rank placements against a target audience. Pending the choice of target, there are often several stations that satisfactorily deliver the desired audience and each will carry a specific price point in accordance with the demand on its inventory. Given this fluctuation, it's beneficial to establish a general market planning cost that considers an average of several stations' costs. This helps insure that the medium's pricing remains competitive relative to other media choices within the market and is reflective of the broadest cross section of stations in the market.

Task Force Recommendation

Under general circumstances, it should be assumed that market cost per points generally represents the market average. However, we advise that costs be modified if parameters are tightened to include specific qualitative goals or format requirements. By limiting the number of stations under consideration, it is likely to have an impact on the demographic price (CPP). Although there are usually several competitive opportunities to reach specific demographic goals in a market, the combination of specific stations and the demand on their inventory may not always be reflective of the average market cost. When restricting, the number of stations in contention, or setting specific parameters regarding the use of higher ranked stations, it can be expected that the overall cost will be higher than one that considers a broader mix of stations.

Perception

Buying Drive Times exclusively is the only way to really reach an audience with Radio.

Reality

One of Radio's greatest strengths is its ability to reach consumers throughout the day, in various locations. A valuable portion of the potential audience could be missed if a daypart is eliminated or narrowed. For example, by eliminating the 10a-3p midday daypart, a large portion of at-work listeners will be missed at a time when they may be most likely to make purchases or research consideration for purchases such as automobiles, housing, and vacations. Several studies (Media Targeting 2000 Arbitron/RAB) have been conducted over the years to validate these claims and demonstrate the validity of using more than one daypart in Radio.

Task Force Recommendation

Only in very rare situations is it advisable to utilize only AM/PM drive. Not only is it cost prohibitive (Drivetimes are often the most expensive Radio daypart), but the true strength of a Radio station may be overlooked if other time periods are not considered. Each station should be looked at individually for its strengths, weaknesses, and opportunities. Many stations, and specific formats, have their highest daypart ratings during midday, sometimes by design, not coincidence. The more dayparts that are incorporated into a buy, the higher reach will be for the overall schedule. We urge comparisons of reach and frequency schedules to demonstrate this claim and to support the inclusion of multiple dayparts when purchasing Radio.

Perception

Purchasing time directly from the station (versus using other representatives) always garners a better rate.

Reality

The source of an order, and the negotiating partner (national rep, regional rep or local AE), is not an issue in pricing. Most Radio stations utilize a grid system (or its electronic equivalent) for pricing that is a function of supply/demand for a time period related to day, week, month, and year. For reasons ranging from sellout to seasonality, stations adjust rates to maximize their yield on inventory. Market conditions can drive or suppress rates for a specific daypart, day, week, month or quarter. Station management must constantly assess their inventory, which can be as often as every hour during high demand periods. Rates can fluctuate up or down based on availability. During various times of the year, a station with available inventory could conceivably offer special packaging that reflects more favorable rates for new and existing advertisers in the hope of developing first-time users or gaining more share from current clients. There are traditionally no premiums placed on business based on origin (i.e., local vs. national). Each client has specific needs based on target audience and advertising goals. Stations work with advertisers to custom design a campaign to match their desires with the delivery of the stations' audience. Pending the ability to deliver specific commitments, stations will always endeavor to offer the most competitive pricing possible to secure the sale.

Task Force Recommendation

Due to rate volatility, it is critical for buyers and sellers to communicate effectively when reviewing pricing options. Rates can change on short notice and proposals can vary from multiple or single sales sources pending the timing/scheduling differences of each request. Subtleties concerning timing of the request, specific flight dates, unit rotations, and days of the week can create major differences in rates for a campaign. Booking early, and asking the right questions regarding unit availability and rate packages, will insure the best outcome. While there can be special station promotional packages available at various times of the year, there is no pricing penalty associated with specific sales representatives who sell on behalf of a station. All individuals have access to the same inventory prices that can fluctuate as often as supply/demand dictates.

Perception

Radio groups, who own multiple stations within the same market, consistently sell their properties as a cluster instead of offering competitive pricing for each station and selling them individually. Pending the demographic goals, some of the stations within a cluster may not be the most appropriate to deliver the desired target.

Reality

The consolidation of Radio ownership has led to the opportunity to create more multi-station package offerings. Selling in this manner allows a station group to effectively market the stations in their clusters and to manage inventory pressures on the stations most in-demand. It also helps owners to position the value of stations with smaller, yet valuable audiences, which may be difficult for buyers to purchase individually. The price of each package takes into account the relative value and demand for all stations presented. Providing access to these packages offers the advantage of broader market exposure and streamlined negotiations, as well as the potential to access more robust added-value programs.

Contrary to perception, a station group always provides the ability to look at individual station performance and offers the flexibility to choose only those stations most appropriate to satisfy the objectives. However, in order to work toward a win-win negotiation for both buyer and seller, the Radio groups have established some competitive package pricing as an alternative to individual station negotiations that may or may not offer more attractive pricing options.

Task Force Recommendation

It is advised that both parties communicate clear objectives at the start of each negotiation. Both parties should be open to consider purchases that offer flexibility and encourage good partnership while still addressing and serving the specific goals set forth at the start of the negotiation. Buyers should respect the seller's effort to present multi-station packages as an alternative pricing option to individual station pricing which may or may not deliver similar efficiencies if sold separately. Conversely, sellers should be mindful of the original objectives and encourage flexibility when necessary to insure the buyer has the ability to properly analyze all offerings on an individual basis relative to the market competition.

Perception

The buy with the lower cost per point is the better buy.

Reality

When comparing stations, and determining the most successful balance of stations within a determined budget, cost per point should not be the only determining factor to consider one buy better than the other. The price point of any Radio schedule is not the only indicator used in determining its value to a campaign. The strength of Radio is found in its ability to target prospects and deliver exclusive audiences via specific formats. Given the mobility of Radio, a station will be listened to throughout the day with varied audiences. This is one reason why it has been suggested that Radio buys include multiple dayparts on each station buy in order to successfully cume (reach) all of a station's available audience. Cost per point (CPP) is the demographic cost to reach one percent of a specific target during a specific time. Each station will carry varied cost per point ratios pending their supply/demand on inventory, unit pricing, and audience delivery. For this reason, it is possible to have wide cost swings between a more popular morning or afternoon DJ program on one station versus the cost of other dayparts on the same station. The same is true for specific formats that are narrowly targeted. Sports is one such format that delivers a unique audience and garners relatively high demand for its unique product. Other considerations must be given to the buy's ability to deliver the target and minimize coverage against non-preferred targets, meet the specific daypart objectives, and reach /frequency goals.

Buying guidelines established for each campaign also drive station selection. For example, an instruction to purchase the top 5 stations in the market will most likely prohibit the schedule from delivering the lowest possible cost per point. Or an instruction to buy 24 spots on each station could also make the buy less efficient. In addition, limiting daypart selection to the most expensive time of day will also create a more inflated cost versus utilizing a package that contains a mix of programs.

Task Force Recommendation

The task force recommends that Radio buys be judged by more than just the ability to deliver a low cost per point. The schedule should deliver the desired target, meet the objectives set forth by the campaign guidelines, include the capability to deliver high unduplicated reach against the preferred target, and utilize enough stations and dayparts to accomplish these goals. While we recognize that each Radio buy may be a compromise due to inventory demands, limited budgets, and controversial program restrictions, we suggest that multiple criteria be considered whenever Radio schedules are evaluated.

Buying instructions should be clear at the start of a campaign and include priorities to insure the judging criteria can be followed. While “low cost” may be a key priority, we suggest that this be coupled with other criteria to insure that the integrity of each schedule is sustainable to meet target delivery. Additionally, buys should be evaluated to insure the scheduling tactic enables the same delivery after the buy has run. Several scheduling tactics that employ ROS (run of schedule) or broad daypart rotations may offer lower pricing but run the risk of receiving spot placement in less desirable time periods, and fall short of providing the original estimates associated with the buy. For this reason, cost is only one component that should be utilized when comparing the value of a Radio schedule. Pending the goals set forth during the planning phase, other criteria should also be given equal consideration.

Perception

If a schedule includes the purchase of a specific number of spots across multiple dayparts and days of the week, there is an expectation to receive a fair and equitable rotation to deliver my plan goals

Reality

Since most schedules are purchased on a daypart basis, the interpretation of "fair and equitable" can vary between the buyer, seller and the traffic person at the station. There may be a greater emphasis on either horizontal rotation (equal distribution across the days of the week) or vertical rotation (equal distribution within the hours of a specific daypart). Furthermore, adjustments to the schedule (make-goods) can complicate this issue. A station may move a spot to a higher rated daypart as a make-good and combine several spots into one that still delivers the same number of rating points. The station may perceive these moves as acceptable (or even an upgrade), but these changes may not be in sync with both the reach and frequency goals of a campaign. As a result, when buyers analyze the schedules after airing, there can be great discrepancies between what was ordered and what was delivered.

Task Force Recommendation

We advise that instructions clearly outline the parameters and expectations (e.g., total number of units to air, number of units within a daypart, horizontal and vertical rotation) of a schedule during the negotiation and final order process. Once agreed upon between buyer and seller, that information should be shared with pertinent station personnel, especially the traffic department. This will insure smooth communication and close any potential gaps that may prevent a fulfillment of expectations. Any changes to the schedule should also be discussed and approved by all parties in order to prevent situations where the station is making what they think is a good faith offering that the buyer is unable to accept.

Perception

Arbitron lists AM Drive as 6-10am and PM Drive as 3-7pm; therefore, an hour which runs outside these daypart definitions should not be included in this time block.

Reality

Several studies in recent years have documented a shift in driving habits across every metropolitan area in the U.S. (see Arbitron.com for the study "Metro Commuter Profiles"). Based on Census 2000 data and a 2002 study by Arbitron, several markets have demonstrated a significant shift to reflect the fact that more of the work population is commuting much earlier and traveling home much later than reported in earlier years. With more time spent commuting, there has also been an increase in listening to support this shift. While each market may be slightly different, there have been significant patterns seen in the Arbitron ratings to reflect this trend during the 5-6am hour as well as the 7-8pm hour. Based on these changing dynamics, many stations have now included these additional hours in their published drivetime dayparts, thus expanding the AM and PM drivetime to 5 hours instead of the traditional 4 hours.

Task Force Recommendation

Due to the shifts in driving patterns over the past 10 years, we suggest that adjacent hours be considered as part of the drivetime daypart when applicable. We recognize that listening patterns have shifted since Arbitron originally adopted the 4-hour time block dayparts and we suggest that new consideration be given to incorporating additional hours into these time blocks to capture a potentially untapped audience. This will allow for the flexibility of daypart expansion in markets where traffic and listening patterns may warrant. However, any alteration of a daypart rotation should be communicated carefully during negotiations and be listed in specific terms on the contract between buyer and vendor-station. Additionally, station paperwork, avail submissions, broadcast orders, and traffic rotations should always indicate the actual hours contained in the expanded daypart to insure the agreed upon terms of the negotiation are fulfilled.