

What Happens When the Spots Come On? 2011 Edition

Philippe Generali, President/CEO, Media Monitors

Warren Kurtzman, President/COO, Coleman Insights

Bill Rose, SVP/Marketing, Arbitron Inc.

Overview

Arbitron, Media MonitorsSM, and Coleman Insights have teamed up again to provide new insights into what happens to the radio audience when radio stations play commercials. In 2006, we conducted a study based on two months of data in one market (Houston) which revealed radio's strong ability to deliver high audience levels during commercial breaks.

Now that Arbitron's Portable People MeterSM (PPMSM) service has become currency in 48 markets in the United States, we have the opportunity to provide the most thorough study ever conducted of radio listening during commercial breaks. This analysis covers nearly 18 million commercial breaks containing nearly 62 million minutes of commercials airing over a 12-month period on 866 stations from all 48 PPM markets.

The Role of Electronic Measurement

Electronic audience measurement via Arbitron's PPM service enables granular analyses of listening behavior that were previously not possible with other measurement methods. In addition, electronic measurement of commercial occurrences from Media Monitors provides greater depth and coverage than prior manual techniques. The unique combination of these electronic measurement tools provides new insights into what happens when radio stations run commercials.

Radio's Commercial Audience: Far Better Than Conventional Wisdom

For years, many believed that the radio audience levels during commercial breaks were much lower than the program audience. This new report provides detailed evidence showing that radio does a remarkable job of delivering audience during commercial breaks.

In the following pages, we provide significant highlights, review the key findings, and discuss the implications of the research for advertisers, agencies, programmers, and broadcast executives.

PPM ratings are based on audience estimates and are the opinion of Arbitron and should not be relied on for precise accuracy or precise representativeness of a demographic or radio market.

Overview of Methodology

Our goal was to determine what happens to the audience when commercials come on the radio. Specifically, what is the audience level during the spot break itself, compared with the minute prior to the start of the commercials?

This study looks at the 866 radio stations measured by Media Monitors and Arbitron across all 48 PPM markets in the United States during the months of October 2010 through September 2011. Our analysis covered a total of 17,896,325 unique commercial breaks involving 61,902,473 minutes of advertising. To qualify for our analysis, a break had to feature back-to-back recorded commercials that are at least 30 seconds long; our analysis does not include “live read” commercials, station promos, or commercial breaks featuring only commercials of less than 30 seconds in length.

We analyzed Arbitron’s PPM data to determine the audience during each of these nearly 18 million commercial breaks, ranging in length from one minute to six minutes and longer. The audience for the minute prior to the start of each break (the “lead-in audience”) was compared to the average minute audience during each commercial break.

We also conducted a quick survey among people in the advertising agency and radio industries to gather how they perceive radio’s ability to deliver audience during commercial breaks.

Reader’s Note: Average minute audience ratings are not part of the PPM rating service. This analysis is based on a custom minute-level data set created for the distinct purpose of this study.

What This Study Does Not Cover

Ratings success is often the result of strong “in-the-moment” performance *and* strong branding that causes listeners to tune into a station in the first place. Our analysis provides detailed insights into the “in-the-moment” impact that commercials have on radio audience levels and it does not address how the airing of commercials affects a radio station’s overall brand or why one station may perform better in the ratings than another.

Significant Highlights

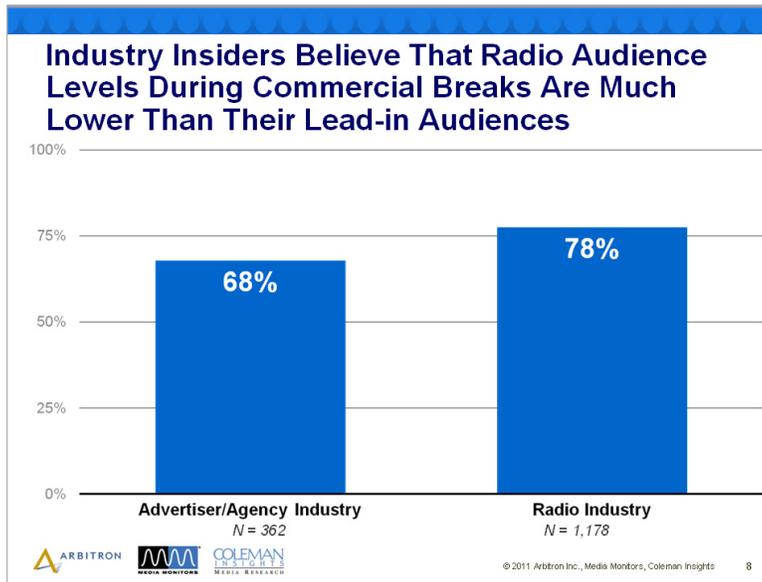
The following is a summary of the highlights of our analyses, which are detailed in subsequent pages of this report.

- **Many industry insiders still believe that radio loses a considerable portion of its audience during commercial breaks.** A survey among people in the advertising and radio industries finds a perception that the audience levels during commercial breaks are substantially lower than the size of the audience before spots run. Contrary to what many believe, this study reveals that radio delivers most of its lead-in audience during spot breaks.
- **The average radio station in this study aired 2.6 commercial breaks and an average of nearly nine minutes of advertising per hour.** The average spot break was approximately 3.5 minutes in duration. Spot breaks of one to three minutes in duration and those of four minutes or longer were distributed in roughly equal proportions.
- **On average, radio delivers more than 93% of its lead-in audience during commercial breaks.** This finding dispels the myth that there are substantially fewer people listening to radio during commercial breaks than are listening immediately before those breaks begin.
- **Radio audience delivery during one- to three-minute commercial breaks are practically the same as the lead-in audience.** The average minute audience was equal to the lead-in audience during one-minute breaks, 99% of the lead-in during two-minute breaks and 96% of the lead-in during three-minute breaks.
- **Longer spot breaks deliver nearly 90% of the lead-in audience.** Longer spot breaks of four to six minutes or more yield an average minute audience that is nearly 90% of the lead-in minute. Four-minute breaks delivered 92% of the lead-in audience, five-minute breaks delivered 87%, and even spot breaks of six minutes or longer delivered an average minute audience that was 85% of the audience before the commercials began.
- **Radio's audience delivery during an average minute of commercial breaks is slightly lower among younger listeners and somewhat higher among people over age 65.** Among teens and 18 to 24 year olds, radio delivers nearly 90% of its lead-in audience during commercial breaks. Among people age 65+, radio delivers 98% of the lead-in audience when commercials play.
- **Audience levels during commercial breaks relative to the lead-in minute were higher on spoken word stations compared with music stations.** On average, stations with spoken word formats delivered practically the same audience during commercial breaks compared with the lead-in (99%) while stations with music formats averaged 88% of their lead-in audience during the commercials.

- **Commercial breaks during morning drive deliver an average of 97% of the lead-in audience while key dayparts deliver 90% or more.** The average minute audience during commercial breaks in morning drive (5AM-9AM) is nearly the same as the the lead-in audience while other dayparts deliver 90% or more of the lead-in audience. The higher percentage during mornings is driven by (1) shorter commercial breaks during this daypart compared with other time periods and (2) the nearly constant inflow of listeners to the radio early in the day.
- **There is remarkably little difference by market with audience delivery during spot breaks.** The three PPM markets with the highest percentage of lead-in audience during commercial breaks were Pittsburgh, New York, and Washington with 95% and the markets with the lowest percentage were Salt Lake City, San Diego, and Sacramento with 91%.
- **Commercial break audience delivery was consistent throughout the year.** Radio delivered between 93% and 94% of its lead-in audience during each month of the year.

Key Findings

- 1. Many industry insiders believe that radio loses a considerable portion of its audience during commercial breaks.** There is a considerable gap in the perception of the size of radio’s audience during commercial breaks and what this study reveals. Advertisers and advertising agency insiders in our survey said that the audience during commercial breaks is 68% of the size of the audience before commercials begin. Radio broadcasters provided a higher estimate, believing that the audience during spot breaks is 78% of the size of the audience before the start of the break.

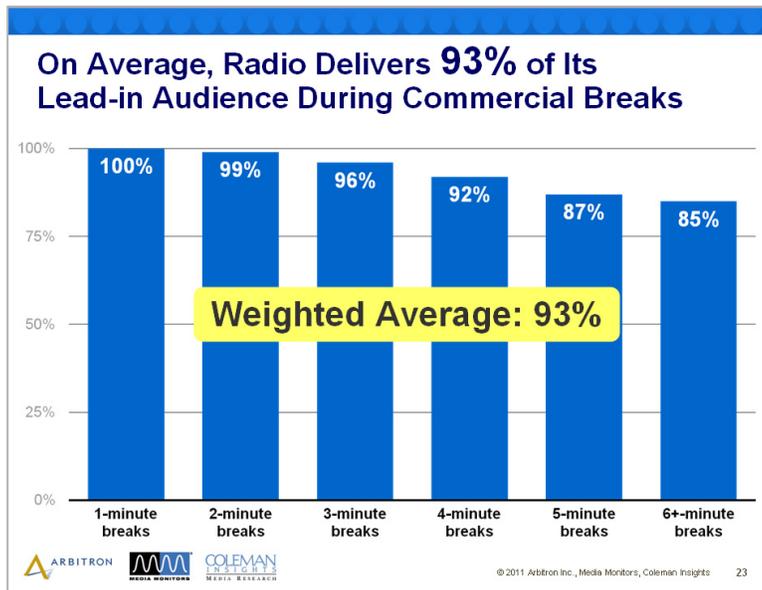


- 2. On a 24-hour basis, the average radio station in this study aired 2.6 commercial breaks and an average of nearly nine minutes of advertising per hour.** The average spot break was approximately 3.5 minutes in duration. Spot breaks of one to three minutes in duration and those of four minutes or longer were distributed in roughly equal proportions.

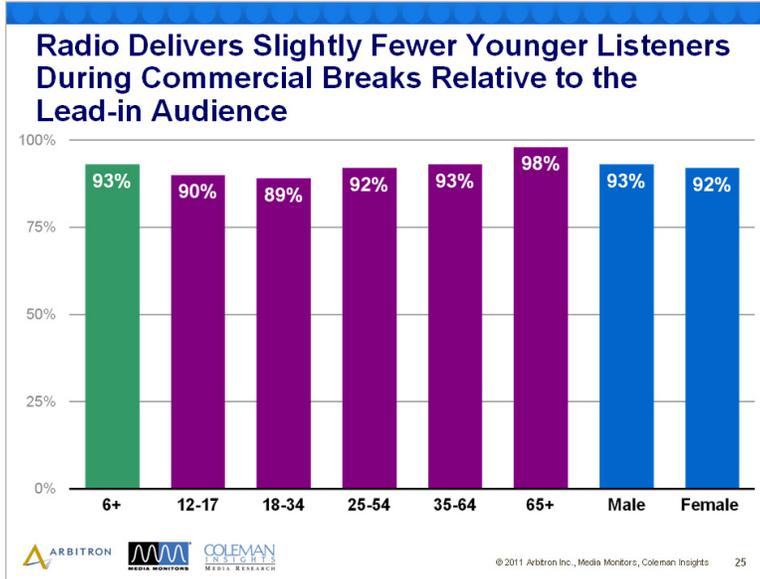
- 3. On average, radio holds more than 93% of its lead-in audience during commercial breaks.** This finding dispels the myth that there are substantially fewer people listening to radio during commercial breaks. The analysis is based on 17,896,325 unique commercial breaks involving 61,902,473 minutes of advertising from October 2010 to September 2011 across the aggregate markets measured by PPM and Media Monitors.

We compared the average minute audience during commercial breaks to the audience for the minute before the commercials began. The audience delivery during breaks of one to three minutes in duration are nearly the same as the lead-in audience (100%, 99%, and 96%, respectively). Radio also delivers a substantial portion of its lead-in audience during commercial breaks of four to six minutes or longer. The audience levels during four-minute breaks was 92% of the lead-in audience, 87% of the lead-in audience during five-minute breaks, and 85% of the lead-in audience during breaks of six or more minutes in duration.

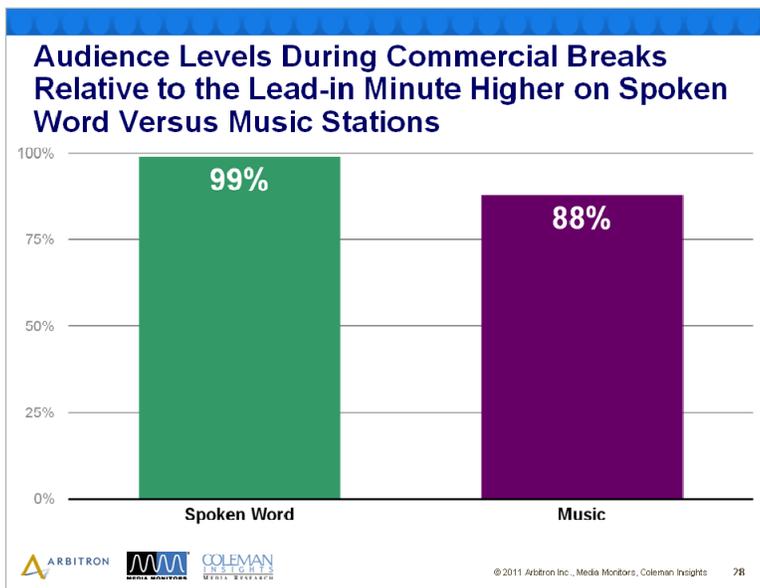
On average, radio delivered 93% of its lead-in audience during commercial breaks.



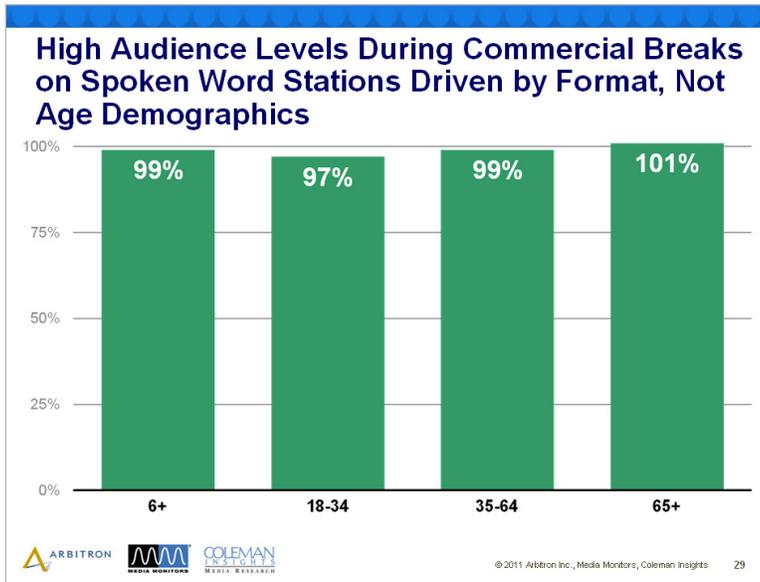
- Radio's audience delivery during an average minute of commercial breaks is slightly lower among younger listeners and somewhat higher among people over age 65. Among teens and 18 to 24 year olds, radio delivers nearly 90% of its lead-in audience during commercial breaks. Among people age 65+, radio delivers 98% of the lead-in audience when commercials play.



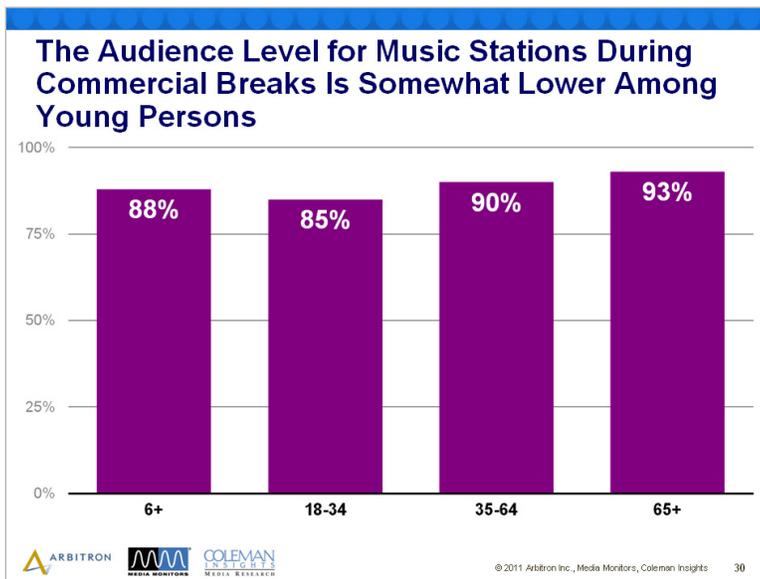
- Audience levels during commercial breaks relative to the lead-in minute were higher on spoken word stations compared with music stations. On average, stations with spoken word formats delivered practically the same audience during commercial breaks compared with the lead-in (99%). Stations with music formats averaged 88% of their lead-in audience during the commercials.



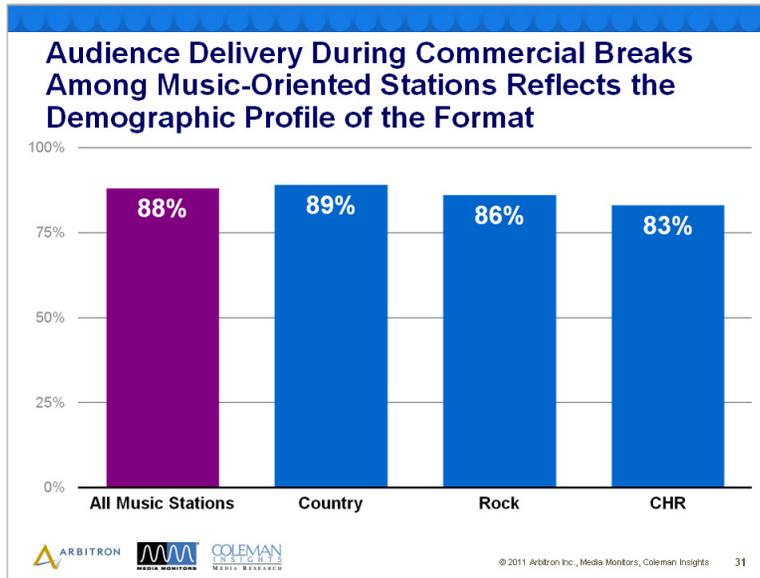
- 6. The high audience levels during commercial breaks on spoken word stations is driven by format, not age demographics.** Among all persons age 6+, spoken word stations deliver 99% of the lead-in audience during commercial breaks. The high audience levels for spoken word stations during commercial breaks is consistent by demographic. Spoken word stations deliver 97% of the lead-in audience among 18 to 34 year olds, 99% of the lead-in audience among 35 to 64 year olds and 101% among persons age 65+.



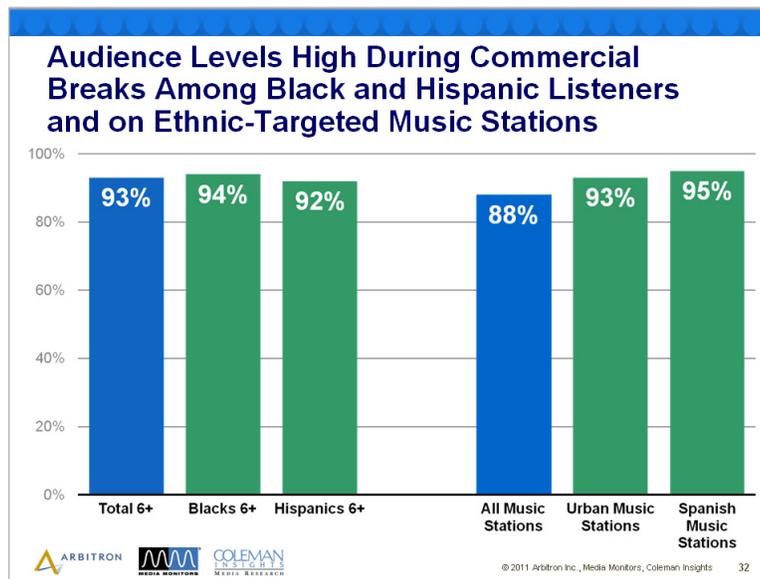
- 7. The audience level for music stations during commercial breaks is somewhat lower among young persons.** Music stations deliver 85% of the lead-in audience among 18 to 34 year olds compared with 88% among all persons age 6+. Music stations deliver 90% of the lead-in audience among 35 to 64 year olds and 93% among persons age 65+.



- 8. Audience delivery during commercial breaks among music stations reflects the demographic profile of the format.** Country stations deliver 89% of their lead-in audience during commercial breaks, which reflects the tendency of these stations to have a higher than average concentration of 35 to 64 year old listeners. Rock-oriented stations deliver 86% of their lead-in audience during commercial breaks. CHR's audience delivery during commercial breaks (83%) reflects the format's higher than average composition of 18 to 34 year olds.



- 9. Audience levels are high during commercial breaks among Black and Hispanic listeners and on ethnic-targeted music stations.** Radio delivers 94% of its lead-in audience during commercial breaks among Black persons age 6+ and 92% on Urban music stations. Among Hispanic persons age 6+, radio delivers 92% of its lead-in audience during commercial breaks and 95% on Spanish music stations.



10. There is remarkably little difference by market or time of year with audience delivery during spot breaks. The three PPM markets with the highest percentage of lead-in audience during commercial breaks were Pittsburgh, New York, and Washington with 95% and the markets with the lowest percentage were Salt Lake City, San Diego, and Sacramento with 91%. The variation by market appears to be associated with market demographics (e.g., Salt Lake City has a younger median age while Pittsburgh has an older median age).

Commercial break audience delivery was consistent throughout the year. Radio delivered between 93% and 94% of its lead-in audience during each month of the year.

Implications

- 1. The radio industry should reinforce the fact that audience levels remain very high during commercial breaks by promoting the 93% finding.** Radio's ability to deliver audience for its commercials far exceeds advertisers' expectations. People in the advertising agency industry estimate that the audience during commercial breaks is only 68% of the lead-in audience. This new study finds, on average, radio delivers 93% of its lead-in audience during commercial breaks. Closing this gap in perception would benefit radio.
- 2. Advertisers should recognize that radio is a commercial-friendly medium.** Radio does a remarkable job of delivering 93% of its lead-in audience during commercial breaks in nearly every market throughout each month of the year. Radio provides a highly targeted, flexible, and engaging environment to deliver advertising messages.
- 3. Radio programmers should not obsess about the negative impact of running commercials.** This is especially true for those programming spoken word formats, where the difference between the lead-in minute and the average audience during commercial breaks is minimal. Programmers of stations that cater to younger audiences should be more aware of potential audience loss due to commercials, but even they should not obsess over the issue. There is no doubt that the audience during commercials is lower than the audience during noncommercial programming, but it is not nearly as low as many radio broadcasters believe. This study does not suggest that increasing commercial loads has no impact on audience size. However, these findings do suggest that factors other than commercial break length and placement are more likely to be the primary drivers of rating performance.
- 4. Higher levels of audience delivery during commercials are associated with shorter commercial breaks.** Listeners simply have less time to tune away during shorter commercial breaks. Therefore, stations that have shorter breaks usually have a higher proportion of their lead-in audience during commercials. However, music stations still deliver nearly 90% of their lead-in audience during commercial breaks and may want to consider other factors (e.g., competition, audience sensitivity, and perception, fit for the format) when deciding the length and number of commercial breaks that are best for their particular market and situation.
- 5. Delivery of the lead-in audience is highest during morning drive but other key dayparts exceed 90%.** When it comes to dayparts, commercial breaks during morning drive deliver the highest percentage of the lead-in audience, reinforcing the value of morning radio. This is driven by the tendency for stations to air shorter commercial breaks during morning drive and the fact that more people are turning on the radio in the morning than those who are leaving. Audience levels during commercial breaks in other dayparts are also remarkably strong, especially compared to the industry's perceptions.

How the Study Was Conducted

Our goal was to determine what happens to the audience when commercials come on the radio. Specifically, what is the audience level during the spot break itself, compared with the minute prior to the start of the commercials?

This study looks at the 866 radio stations measured by Media Monitors and Arbitron across all 48 PPM markets in the United States during the months of October 2010 through September 2011. We analyzed a total of 17,896,325 unique commercial breaks involving 61,902,473 minutes of advertising. The average minute audience for each of the nearly 18 million commercial breaks was compared to the audience in the minute before each respective break began. The study looked at 12 months of data, across a variety of demographics, dayparts, and radio station formats to produce this report.

PPM

PPM is now the buy/sell “currency” for radio in 48 markets in the United States. The PPM system automatically reports audience exposure to inaudible codes embedded in a broadcast signal. Randomly selected people carry the PPM device with them, and it detects the encoded audio that person is exposed to each day. PPM is passive because respondents don’t need to remember their listening behavior and write it down. PPM detects exposure to encoded audio programming, notes the time and length of the exposure, and stores the information. Each day, the panelists recharge the unit and the data are automatically sent to Arbitron for processing.

Since we wanted to analyze the audience for many commercial pods on specific days, a reliable panel was required. The aggregate average daily panel size across all 48 PPM markets is approximately 58,000 people aged 6 and older, which is the largest portable, passive, electronic measurement panel in the world.

Media Monitors

Media Monitors is the leader in radio spot monitoring (MRC accredited), Newspaper Ad TrackingSM, Broadcast TV, and Local Cable TV and provides sales and marketing tools for media research firms and advertising agencies.

Media Monitors records all of the audio from top-rated radio stations using field sites in all PPM markets upon which this study is based. Media Monitors’ patented method of audio fingerprinting technology is then used to identify spots. These are forwarded to Media Monitors’ Data Centers, where teams of spot specialists research and identify new advertisers and songs. Play information is then added to the existing online database where thousands of daily users can easily access, sort, and examine it using a simple Web interface. Media Monitors also measures TV and cable commercials and scans hundreds of newspapers for ad data.

Media Monitors also provides the Audience Reaction[®] and mScore services for radio broadcasters. With Audience Reaction, clients are able to hear what was on the air on a given day and time and see how panelists reacted to what they were hearing.

Appendix

The following tables provide estimates of the audience for radio commercial breaks ranging from one to six minutes in duration. These estimates are expressed as a percentage of the audience for the minute prior to the start of each respective commercial break.

Percent of Lead-In Audience by Demographic

	Minute 1 Breaks	Minute 2 Breaks	Minute 3 Breaks	Minute 4 Breaks	Minute 5 Breaks	6+ Minute Breaks	Weighted Average
P6+	100	99	96	92	87	85	93
Teens	100	97	93	88	84	81	90
18-34	100	96	91	87	82	80	89
25-54	100	98	94	90	86	84	92
35-64	100	99	96	93	88	86	93
65+	100	101	100	98	95	92	98
Male 6+	100	99	96	92	88	85	93
Female 6+	100	99	96	91	86	84	92
Black P6+	100	98	96	93	90	88	94
Hispanic P6+	100	97	94	91	87	86	92
Other P6+	100	99	96	92	86	83	92

***How to read:** For Persons 6+, the audience delivery of an average minute of all commercial breaks was 93% of the size of the audience for the minute prior to the start of the commercials. For a six-minute commercial break, the audience delivery of an average minute was 85% of the lead-in minute.

Percent of Lead-In Audience by Daypart

	Minute 1 Breaks	Minute 2 Breaks	Minute 3 Breaks	Minute 4 Breaks	Minute 5 Breaks	6+ Minute Breaks	Weighted Average
Total M-SN (24/7)	100	99	96	92	87	85	93
Mon-Fri 5A-9A	100	100	98	95	94	93	97
Mon-Fri 9A-3P	100	100	97	92	87	85	92
Mon-Fri 3P-7P	100	99	94	90	86	84	90
Mon-Fri 7P-Mid	100	98	93	88	83	81	90
SA/SN 6A-Mid	100	98	94	90	86	84	92

***How to read:** For Persons 6+, the audience delivery of an average minute of all commercial breaks was 93% of the size of the audience for the minute prior to the start of the commercials. For a six-minute commercial break during morning drive (M-F 5AM-Mid), the audience delivery of an average minute was 93% of the lead-in minute.

About Arbitron

Arbitron Inc. (NYSE: ARB) is an international media and marketing research firm serving the media—radio, television, cable and out-of-home; the mobile industry as well as advertising agencies and advertisers around the world. Arbitron's businesses include: measuring network and local market radio audiences across the United States; surveying the retail, media and product patterns of U.S. consumers; providing mobile audience measurement and analytics in the United States, Europe, Asia and Australia, and developing application software used for analyzing media audience and marketing information data. The Company has developed the Portable People Meter™ (PPM™) and the PPM 360™, new technologies for media and marketing research.

Portable People Meter™, PPM™ and PPM 360™ are marks of Arbitron Inc.

Additional information about Arbitron: www.arbitron.com.

About Media MonitorsSM

Media Monitors is the nation's leading broadcast monitoring and verification service for broadcasters, print media, media investment companies and advertising agencies. Media Monitors is a subsidiary of RCS, the world's largest provider of broadcast and webcast software. Media Monitors and its logo are registered trademarks of Media Monitors. The Media Monitors broadcast content recognition process of audio fingerprinting used by Media Monitors is protected by U.S. Patent 5,437,050.

For more information, visit www.mediamonitors.com.

About Coleman Insights

Coleman Insights, headquartered in Research Triangle Park, North Carolina, with offices in Philadelphia and Hamburg, Germany, is a firm that has helped media properties build strong brands and develop great content since 1978. Its clients include hundreds of media properties in North America, South America, Europe and Asia, including those owned by CBS Corporation, Sony Corporation, Emmis Communications, The Walt Disney Company, Lincoln Financial Media, Clear Channel Communications, EMI, Radio One, Warner Music Group, NPR, Astral Media, Bonneville International Corporation, Vivendi SA, Hubbard Radio, Citadel Communications, Grupo Radio Centro, Sandusky Radio, Lagardère International, Beasley Broadcast Group, Grupo Prisa, Mid-West Family Broadcast Group, Salem Communications, The Mondadori Group, Connoisseur Media, Corporación Radial del Perú, South Central Communications, SBS Broadcasting, Townsquare Media, Triad Broadcasting and Maverick Media.

Additional information about Coleman: www.ColemanInsights.com.