

THE HARMELIN MEDIA REPORT

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Deal? Or No Appeal? by Steve Knebls

You may know Howie Mandel from his stand-up comedy act, which he began in the early 1980's. Or maybe you know him as Dr. Wayne Fiscus from the mid-1980's TV series *St. Elsewhere*. Perhaps you're familiar with his voice work? Like Gizmo, from the *Gremlins* movies, various characters from the animated *Muppet Babies* series, or Bobby Generic from the animated series *Bobby's World* that ran from 1990 to 1998. Still drawing a blank? Well maybe you would recognize the name and face (sans his formerly curly locks) as the host of the hottest new game show on primetime television, *Deal Or No Deal!*

Not since ABC's *Who Wants To Be A Millionaire?* has a primetime game show come along and had overwhelming success. *Deal Or No Deal* was an international hit that came to NBC back in December 2005 as a five-night event. The



ratings were so staggering for that one-week special that NBC decided to bring it back in January 2006 as a part of its regular line-up. Originally on Friday nights, the show did so well that NBC added it to Monday and Wednesday. In the spring of 2006, *Deal Or No Deal* averaged a respectable 7.5 household rating over those three nights. It has given Howie Mandel's career a breath of fresh air and has catapulted him to Regis Philbin-like status, minus the silk neckties.

Deal or No Deal is a game of odds and chance. The format consists of 26 briefcases, each containing different amounts of money ranging from one cent to one million dollars. Unaware of the sum of money in each case, the contestant picks one case which contains his prize. At the

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HD Radio Update by Chrissy Brisbin

When *The Harmelin Media Report* looked at HD radio last fall, it reported that few consumers were aware of its very existence. A half year later, most people are still in the dark. Last fall, the world of terrestrial radio was about to face its biggest challenge from satellite radio. One of the biggest names in terrestrial radio was about to jump ship and go to satellite. What was terrestrial radio's initial response? Infinity changed its name to CBS Radio and hired David Lee Roth to take Howard Stern's morning drive slot in its big eastern markets. The radio industry began to hype what they are positioning as the greatest radio innovation since the FM dial: High Definition radio.



David Lee Roth has since come and gone. And HD radio?

A few terrestrial radio listeners may have heard the promos on local radio — "Now broadcasting in HD." The question is, does anyone care? As of early June 2006, there were 19 radio stations in Philadelphia broadcasting using HD technology. Nationwide, more than 700 stations have upgraded to the HD technology while 3,000 are in the process of upgrading, according to iBiquity Digital, the developer of HD technology for radio.

Let's review again what HD actually is. HD Radio, or high definition radio, uses digital technology to piggyback on traditional analog radio signals. The digital signal allows for improved sound quality. FM signals will broadcast with CD-quality audio. Likewise, AM signals will broadcast with FM-quality audio. Additionally, HD technology allows radio stations to "multi-cast." Essentially, HD stations will have the ability to offer several 'sub-stations' from one position on the dial. For example, there might be one main music station with several "sister stations" that could offer anything from niche music formats to entertainment news to local traffic information on the same frequency. Stations that wish to invest in HD technology will allow listeners to transition slowly to digital radio. Stations will broadcast traditionally on analog signals alongside the new digital signals.

Those early adopters who want to be the first to experience HD radio will have to invest in new hardware for their homes, offices and cars. Radio Shack and a few retailers around the country actually have the new HD radio equipment in stock. Pricing for HD units is around \$500 for a tabletop model. However, radio industry insiders are confident that once manufacturing increases due to consumer demand, these prices will fall in line with that of

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Nielsen Ratings Dilemma: Live or Live Plus?

by Terry Maher

In late 2005, Nielsen Media Research sent a memo to its customers entitled 'Time-Shifting.' The research giant explained that Digital Video Recorders now allow viewers to control the way they view television. DVRs "simplify and expand the 'time-shifted' viewing capabilities." Viewers can "pause live programs, rejoin them in progress, and create a menu of desired programs . . . that the device will automatically record." In response to the DVR phenomenon, Nielsen tweaked its patented Active/Passive meters so that they can measure when a show is recorded and played back by a DVR. Nielsen can measure households as



well as demographic DVR viewing in its national sample as well as in the 9 LPM markets. In

Nielsen's 46 metered local markets, just the household DVR data is available.

In January 2006, Nielsen began to accumulate three sets of data. 'Live' data includes households or people viewing a program during the actual time that the show was telecast. 'Live+Same Day' data includes households or people viewing a program during the actual time it was telecast or watching it on DVR at some time during the same day. 'Live+7 Days' includes households and people view-

ing a program 'live' or within seven days of the telecast.

Nielsen's time-shifted ratings recently made a big splash in the national news. At this May's network upfronts, where the television networks secure most of their advertising commitments for the coming TV season, there was a huge impasse regarding time-shifted ratings. The networks initially insisted that all primetime ratings estimates be based on 'Live + 7 Days.' Advertisers and ad agencies balked, and argued that research shows that time-shifted DVR viewing results in most of the commercials being skipped by the viewer. They weren't about to pay for skipped commercials. Furthermore, many commercials are very time-sensitive, especially restaurants and movies who want to attract business for the upcoming weekend.

The stalemate ended when the networks blinked. They backed off their demand. An ABC spokesman is quoted in *The Wall Street Journal* noting that "the majority of the advertising community has reached a consensus . . . and has concluded that commercials seen during a DVR-recorded programming have no value. (ABC) continues to

believe strongly (in the worth of such viewers and) will continue its efforts to include this audience." Round one goes to the advertisers and agencies.

However, what has slipped by almost unnoticed is the use of time-adjusted ratings in the local markets. There haven't been any screams or cries in the trade press about this. Effective January 2006, all local metered Nielsen books include **only** 'live + 7 days' audience figures. There's no choice! It's the only book available in the 55 metered local markets. 'Live' local overnight ratings in Excel form are available if an agency purchases them, but these Excel-based ratings aren't compatible with media buying software.

Some argue (mainly broadcast stations) that there is not a big difference. They maintain that DVR penetration is small — a little over 10 million households nationally. But it's going to grow. Below are some tables that highlight the national and top five local market ratings differences for three popular network finales. The tables show the 'live' household ratings and the 'live + 7' household ratings for *Desperate Housewives*,

2006 Season Finale Nielsen Household Ratings

Market	<i>Desperate Housewives</i>				<i>Lost</i>				<i>American Idol</i>			
	Live	Live+	Diff.	Cost Diff.	Live	Live+	Diff.	Cost Diff.	Live	Live+	Diff.	Cost Diff.
New York	17.4	18.3	+0.9	+\$3,870	11.3	12.5	+1.2	+\$5,160	20.5	21.0	+0.5	+\$2,150
Los Angeles	14.5	15.7	+1.2	+\$5,389	10.2	11.7	+1.5	+\$6,737	17.0	17.5	+0.5	+\$2,246
Chicago	18.1	19.0	+0.9	+\$2,043	11.1	12.2	+1.1	+\$2,497	19.1	19.9	+0.8	+\$1,816
Philadelphia	19.5	20.0	+0.5	+\$684	15.8	16.7	+0.9	+\$1,231	21.7	22.1	+0.4	+\$547
Boston	15.3	15.8	+0.5	+\$668	12.2	13.0	+0.8	+\$1,069	25.6	25.8	+0.2	+\$267
Nationally	14.1	14.7	+0.6	n/a	10.3	10.6	+0.6	n/a	20.0	20.4	+0.4	n/a

Sources: NTI for National HH Ratings; NSI for Local Overnight Ratings; Average 2nd Qtr. Prime SQAD for Cost Differences.

Lost, and *American Idol*. (The local market data is from the NSI overnights which Harmelin Media purchases from Nielsen).

The tables are self-explanatory. *Desperate Housewives'* household ratings increased 4.3% nationally, but higher in LA where they're up 8.3%; *Lost* was up 6.0% nationally but up 14.7% in LA; and *American Idol*, the biggest hit of the season, was up 2.0% nationally and highest in Chicago with a 4.2% increase. There must be some truth to the adage that 'live' TV has to be seen 'live.' Americans wanted to watch Taylor Hicks beat out Katherine McPhee as it happened — a smaller percent chose to watch it on DVR later in the week.

What do these numbers mean for spot TV advertisers? They mean spot TV advertisers are paying a premium. Those 'small' point and percentage 'live plus' ratings mean significant dollars to advertisers and stations. Applying SQUAD's 'average' 2nd Quarter 2006 Cost per HH Point to the differences, thousands of dollars are at stake.



The data shows that advertisers in the top 5 markets paid \$267 to \$6,737 more for a spot in one of the shows in just one of the markets than they would have if Nielsen hadn't switched to 'live-plus' reporting. It's only going to get worse. With less than 16% of TV households currently with DVRs, look at how the ratings are already impacted. What happens when DVR penetration hits 50% or more? Will advertisers pay 'full price' for programs for which half the supposed audience is skipping their commercials?

At the network level, round one of the DVR battle went to the advertisers. On the local level, round one is going to the stations without so much as a whimper from advertisers. Maybe DVR viewing will be swept under the carpet like the VCR. As most of us have long forgotten, Nielsen reports the VCR audience **at the time the program is recorded**. Whether the person who taped the show skips the commercials or ever even watches the show isn't known. 86.4% of TV households have VCRs and Nielsen has been giving programs 'full credit' for any VCR recording. Maybe it's only fair that DVR viewing should get the same broadcaster-friendly treatment.

(Late breaking news! Nielsen just announced that as of November 2006, it would issue 'live-only' LPM market data to its client software providers. The 'books' will still be 'live+7.'" No 'live-only' data availability is mentioned for the 48 metered markets, just the 9 LPM markets. Still, it's a step in the right direction.)

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contestants' choosing, the remaining cases are opened one by one, revealing the money each contained. A stunning model opens the cases. At predetermined intervals, the contestant receives an offer from "The Banker" to purchase his chosen case from him; the offer is based on the potential value of the contestant's case. This prompts Mandel to ask the all-important question — "Deal or No Deal?" (Think Regis' "Is That Your Final Answer?"). The contestant is faced with a quandary — take the deal or try to eliminate more of the smaller dollar amounts in order to make the next offer higher. This process is repeated until the contestant takes a deal or lives with the original briefcase he chose.

So it begs the question, "What is the appeal of *Deal Or No Deal*?" Haven't we seen this all before with Monty Hall on *Let's Make a Deal*? The show has a pretty simple formula and doesn't require much skill, unless you have a background in statistics. The fact that it doesn't require much intelligence to participate is attractive to a broader audience. The pressure on contestants to make the right choices in the pursuit of vast amounts of unearned money makes for a nail-biting viewing experience. Bad decision-making has never been so fun!

As with any good TV thing, though, we run the risk of growing tired of it from overexposure. Such was the case with *Millionaire*, as ABC added the show to its schedule several nights a week at its peak. After growing indications that the craze for primetime game shows had faded, we find history repeating itself. It's only a matter of time before NBC's rivals scramble to capture the lightning of *Deal*. Although the ratings strength of *Deal* cannot compare to the juggernaut that was *Millionaire*, it's unfair to compare the two. It's over a half a decade later and there are more options available today to eat up the share of audience. Despite

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Around the Water Cooler

A Completely Unscientific Survey of Harmelin Media Employees...

This Month's Questions:

Do you think that partnering with a 'winning' sports team helps a brand's sales?

YES	NO
92%	8%

Do you think that partnering with a 'losing' sports team hurts a brand's sales?

YES	NO
18%	82%



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satellite radio units. HD radio will not require the subscription fee that satellite radio does.

The question remains...will consumers bite? Are there enough people that are unhappy with the audio quality of their radio to invest in the new hardware to pick up the HD signals? Have the early adopters already committed to satellite radio providers XM and Sirius, leaving HD radio out in the cold? For



these answers, we'll have to wait and see. However, terrestrial radio executives are confident that the consumers will convert. Radio stations across

the country have already invested in the HD technology even though the hardware is not readily available to the general public. Is this blind faith, or confidence that HD is a sure thing that will change the face of radio? Again, this remains to be seen.

In the six months since Howard Stern left terrestrial radio, this much is true: Sirius Satellite Radio added over 1.1 million subscribers in the 4th quarter of 2005 as Stern's final terrestrial days whittled down; it added 761,187 subscribers in the first quarter of 2006, bringing its total to just over 4 million. Meanwhile, XM added 568,902 new subscribers in the first quarter of 2006, with its total base now just over 6.5 million. That's 10,579,606 total satellite radio subscribers — a 14.4% growth in just one quarter. Meanwhile, only 100,000 HD units have been sold as of early June.

The HD Radio Alliance, made up of the largest radio broadcasters in the country, is about to conduct a \$200 million awareness campaign. Perhaps the money would be better spent on developing radio content that would attract and maintain their audiences. After all, if HD radio is successful, then each station could split itself into 3-6 more broadcast streams. How does that help the advertising community? It certainly doesn't help advertisers to reach a mass audience. How would fragmenting Philadelphia's 24 commercial and 3 non-commercial stations into 81 to 162 broadcast outlets help broadcast radio? Probably the same way cable television networks have "helped" broadcast television! It's going to take a whole lot more radio spots to reach the same audience — and with audience duplication, it's going to be a lot more inefficient. Let's hope that in its fight against satellite radio, broadcast radio doesn't end up defeating itself. It would be a shame to someday open an Arbitron book and find that none of the 162 Philadelphia broadcast signals meets Arbitron's minimum audience standards for inclusion in the book.

Harmelin Media's Online Media Department

Harmelin Media is very pleased to announce that we have launched a dedicated online media department. After a nationwide search, Harmelin Media has recruited Brad Bernard to head this department. Brad, a Swarthmore, Pennsylvania native, was lured away from Texas to return to his hometown and lead this important team for Harmelin Media. Brad most recently worked for OMD in Dallas on such accounts as Travelocity.com and Macaroni Grill. He's also worked on Sprint's and GTE's accounts.

The online department will plan and purchase online media, including search engine marketing and optimization. Mary Meder, president of Harmelin Media, said, "We're excited to have Brad on our team. His skills and experience will enhance our in-house capabilities."

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this, *Deal* has given struggling NBC an anchor to build around — as long as they don't go overkill!

Many industry types say that the primetime game show boom can spell bad news for Hollywood's creative community by leaving less work for actors, writers and directors. "Game shows keep dramas and comedies off the schedule that could be the next *Seinfeld* and *ER*," says David Poltrack, CBS Executive Vice President for planning and research, in an article in the *Los Angeles Business Journal*. There is obviously more to gain by establishing a s u c c e s s f u l scripted show, as they'd perform better with reruns and there's more



of a chance for a profitable syndication deal in the long term. The game show genre might be passé, but if the successful game show is used in appropriate doses, it could be a great tool to help a network build upon a young sitcom or drama. Plus, they're non-controversial and advertiser-friendly.

NBC ran the risk of going overboard with *Deal or No Deal* this spring, but indications are that it still has shelf life. This fall we'll see what the show is really made of when it will air twice a week, on Mondays from 8-9PM and the ever-competitive Thursdays from 9-10PM. The show is a short-term benefit for NBC, but hopefully they care enough about the franchise to give it legs to run with. And hopefully Howie Mandel can muster up just as many lame clichés to save himself from anonymity.