



EXECUTIVE SESSION WITH DAVID POLTRACK

How Set-Tops, Streaming Help Local TV

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Dave Poltrack is the longtime research guru for CBS, keeping a close count on how many people are watching the network and its stations and making sure that sales is able to squeeze every last dollar out of every last rating point.

As the corporation's chief research officer, he also oversees Television City in Las Vegas, a state-of-the-art program and media research facility that he designed.

In this interview with *TVNewsday* Editor Harry A. Jessell, the 40-year CBS veteran discusses the current primetime season (CBS will recapture its total viewers crown at the very least), using set-top box data for measuring viewers and proving advertiser ROI (the coming thing), C3 ratings (a compromise), L3 ratings for national spot (not very likely), the DTV transition (calm down, it will be OK) and streaming of primetime shows on the Web (a plus for broadcast TV).

An edited transcript:

Can you give us any read on what's going to happen in the up-fronts this year?

Our strategy right now is share of market. We're totally focused on building on the momentum that we have in primetime so that we become the must buy in the upfront. You know, a 2 percent increase in market share can offset a 10 percent decrease in the market.

CBS got off to a very fast start this year in primetime, but Fox seems to be coming on strong with *House* and *24* on Mondays and then *Idol*. How do you see the season playing out from here on out?

Obviously, Fox is going to make a run. They're way behind at this point and they've got a lot of catching up to do. They should win the 18-to-49 battle again because of *America Idol*, but we think we're in very good shape in terms of total viewers and we think we're going to be very competitive in 25 to 54. They don't have the Super Bowl this year, which was essentially their margin of victory over us last year in total viewers.

You may have noticed that *American Idol* dropped significantly [last] week. We'll need another week or two to see where *Idol* is going to settle in, but it currently looks like it's probably going to be somewhat below last year.

What about those 2 points in market share that you were hoping to pick up? Are you going to be able to do that?

Right now, we're ahead on that. We think that we will pick that up at the expense of ABC and NBC not being strong and a little bit at the expense of Fox because they had a weaker first half.

Marketers and advertisers are demanding evidence that their TV buys are effective, that they're earning a return on investment. What are you doing to supply such evidence?

Certainly, we're generating a lot of research. We're currently working with [TRA](#), which marries set-top box information with shopper card information. TRA is going to be issuing reports starting in a couple of weeks up through the upfront. They're proof-of-performance reports on television campaigns for various consumer packaged goods advertising.

Where are they getting their data from?

Right now, they're getting it from Charter Cable. They also have the data coming in from all the TiVo boxes. They're up to about a million set-top boxes reporting on a regular basis. They are also in discussions, I think, with Time Warner and Comcast. On the shopper card side, there are about four firms that handle the shopper cards for all the big chains. I think they've got two of them lined up.

TRA is ahead of the competition right now in the shopper card database. Others are still focusing more on getting their set-top box databases up and running. They're a little bit behind in terms of the integration of that with product usage databases.

Is set-top box data the future of audience measurement?

It's certainly part of the future of this business. It can draw on hundreds of thousands or millions of homes depending on how wide you want to cut it. It allows for great marrying to other data bases and it allows for very high levels of statistical analysis and specifications by products, brands and user groups. So, to that degree, it is definitely part of the future.

Obviously, the shortcomings of it are, first, not all homes have set-top boxes, although 80 percent do and the boxes are getting more sophisticated and the recording and reporting is getting better.

Another problem is not all the televisions in the homes have set-top boxes so you don't capture all the viewing. Finally, you don't get demographics. You don't get the who-is-viewing aspect. We're going to need panels for that, but you don't need a continuous panel. You just have to get audience profile information from a subset of homes. You can project it onto the total base.

Most of the CBS TV stations are in LPM markets. How have they affected your business?

Well, it's the same thing that happened when the people meters came out nationally way back in the 1980s. The viewing levels went down in some dayparts and up in other dayparts and generally the market has adjusted to those changes.

There is still an issue in LPM markets in terms of stability on a national basis because the sample size is still relatively small. If you're only interested in 18 to 34 or some subset of the sample, the numbers are statistically unfavorable. We deal with this with CW. The target audience is women 18-34, but on a local market basis the LPM samples are not adequate to give you stable ratings.

Again, this is why set-top box information is really the wave of the future because if you were getting data from 100,000 or 200,000 set-top boxes, that would solve the instability problem.

So set-top box data may be the answer for local markets, too?

I think so. If I were a television station right now, I would be working with my local cable company to get that type of data. It will help them sell more aggressively and effectively. Also, it's going to provide them

with a much more stable measurement system. I don't really see why, when that information becomes readily available, anybody would pay any attention to the diaries anymore.

Do you have any issues with C3 [live plus three commercial] ratings that you've been using in network sales?

Well, it's a compromise. We're still getting no value for any commercial exposures after three days. We're getting no value for exposures in the fast-forward mode, even though we've done a lot of research now that shows that there is message communication while fast forwarding.

But we've got a stable measurement that's fair. It's a way of giving the advertisers what they want. Now, they're only paying for people who are actually seeing their commercial and can be verified.

TVB is pushing for adoption of L3 [live plus three program ratings] as the new currency in national spot. Do you think that's ever going to happen?

No. I understand why they're pushing for it, but I just don't realistically think that the advertisers will go for it. They're getting C3 ratings on a national basis right now. They're getting the commercials measured, which is the one thing they've always wanted. To ask those same advertisers to accept a program rating is, I think, a very tough sell.

It's a tough sell, but it's fair, isn't it? How are stations going to get credit for viewership of recorded viewing?

By getting the C3 measurements.

So why don't they?

The C3 issue on a local level is much more complicated because in order to accurately measure C3 ratings, you have to accurately measure the timing of all the commercials. When you get to local broadcasting, every local television station has a different commercial configuration. So that part of the process becomes much more challenging than it is on a national level. It's still doable, but it's a big challenge. I'm sure Nielsen would want a lot of money to provide them.

How is the DTV transition going to affect network viewership this season?

We've been tracking it. We sort of know how many people have purchased converter boxes and are ready to turn them on, but what we don't really know is how many of them are going to find that their antenna is inadequate. We're starting to do promotions on air, recommending that people not only get the boxes, but check their antennas and make sure that they've got the right kind. I think that's going to be a bigger problem.

Now the effect on the season will be some loss of audience and that loss will be primarily older, lower socioeconomic people in different parts of the country. It will not be evenly distributed around the country. And to the extent that a lot of these people are 55-plus, it will have less of an economic impact.

We've also seen a significant amount of upgrading to cable and upgrading from regular cable to digital cable within the last year or two in anticipation of this. That's probably been more of a competitive factor on the networks than the actual turn-off because that's a noncable home becoming a cable home.

But the feeling is that if somebody in a totally analog home wakes up on Feb. 18, turns on the TV and nothing happens, then that person is going to solve the problem pretty quickly. It's not like they're going to go without TV for the next six months.

CBS has been pushing a lot of your programming onto the Internet. In your UBS presentation, you said the Internet exposure complements broadcasting and is not cannibalistic. How does the Internet complement broadcast?

In that presentation, I gave the example *How I Met Your Mother*. The median age of that show's viewers on network television is 44. The median age of that program online is 28. The younger audience, which is an audience that does not regularly stay at home, has a harder time following programs. By allowing them to keep up with programs on the Internet, we're able to bring in these younger viewers.

Now if this were cannibalistic, these younger people would be choosing to watch it on their computers instead of in television sets and we would be seeing a decline in the younger viewers on television. But, in fact, the number of people streaming *How I Met Your Mother* this fall is up 65 percent from last fall, while the network TV audience for adults, 18-49, is up 24 percent and, for adults 18-34, it's up 17 percent.

So even though there's a significant increase in streaming, it currently does not appear to be negatively affecting the network audience. In fact, we believe that it allows a younger audience, who because of lifestyle reasons are less available in home, to watch shows on a regular basis, to get engaged with the show. These audiences are migrating to the broadcast party.

By the way, that was how *The Office* was established on NBC. *The Office*, when it first came on network television, had a very low rating and was not doing well at all. But people started to watch online and as they did, we started to see the 18-34 audience for the program on air creep up to the point that that show is now a successful network television show.

There may be somebody who says I'm going to watch *Dancing With The Stars* on TV because I can always watch *How I Met Your Mother* online. But that is more than offset, I think, by the people who have come to watch the show and become regular fans of the show. They are tuning in when they can at home because even the most passionate young computer-oriented individual says they would rather watch their TV on a beautiful high-definition television than on a laptop.