

RECOUNTING RADIO

What Do the New PPM Numbers Mean?



CPMs are the value measure of media. But it's trickier than apples, three for a dollar.

For example, when buyers say "NBC CPMs are too high," it's clear they're saying NBC wants more than buyers are willing to pay. But when buyers say "Outdoor CPMs are too low," they don't mean Outdoor doesn't charge enough. They're saying its measurement overstates its audience.

As Measured By...

A medium's CPM gets especially confusing when the currency measurement it's based on changes. Unfortunately a better measurement usually means a smaller audience and a higher CPM. But the cost increase isn't real. Only the measurement has changed. You are still buying the same ad unit for the same dollars. A higher CPM reflects a change in measurement, not a change in value.

In the 1980's when TV moved from the meter-diary to the better peplemeter system, CPMs went up and TV seemed to cost more. It didn't. The old TV CPM was *as measured by the Nielsen meter/diary*. The new CPM is *as measured by the Nielsen Peplemeter*. Since the



two CPMs are based on different measures of audience they cannot be compared.

Radio and the PPM

Radio is going through a similar adjustment. As the PPM replaces the diary, Radio CPMs go up, but Radio's value per dollar doesn't change, only the measurement does. Again, you are still buying the same ad unit for the same dollars.

These new PPM CPMs are fine for comparing within PPM measured Radio, but they are not appropriate for comparing to diary numbers or for that matter, to other media.

Building Equivalent CPMs

Although we know CPMs should not be compared across media, we often do it to get a rough marketplace estimate of relative value. But they are not comparable because of differences in how audience is counted and differences in how well media will communicate with consumers for a specific campaign.



The following table shows how to construct an equivalent CPM for three media, TV, Magazines and PPM Radio. This new CPM is based on the total value of measured exposures.



For the exercise we use TV as the base CPM, assigning it a value of 100.

Adjusting for Ad Exposure

The first adjustment is for Ad Exposure. This is an estimate of the probability that someone counted as audience will see an ad for TV and Print, or hear an ad for Radio.

Its purpose is to equalize exposure across media by removing people counted as audience, but not actually reached by the advertising.

THE STRUCTURE OF CPM

	AD EXP	IMPACT	CPM
TV	100	100	\$20.00
PRINT	70	50	\$ 7.00
RADIO	135	50	\$13.50

Using TV as the baseline of 100, my estimate is a Magazine reader, as measured by MRI, has a 30% lower probability of seeing an ad than a TV viewer, as measured by Nielsen. That gives magazines an index of 70. ¹ The reasons? Print

¹ Although TV is indexed at 100, the raw probability of seeing is closer to 0.65. Again this is my estimate. You are free to make your own. The value difference

readership counts are inflated and many reported issue readers don't turn every page.

Radio with the PPM has a surprising 135 index on Ad Exposure compared to TV. This means a PPM measured Radio listener is 35% more likely to hear a commercial than a Peoplemeter measured TV viewer is to see one.



The reason? PPM measures "hearing." If the PPM hears a Radio message, the person carrying the PPM will hear it also. But the peoplemeter doesn't measure "seeing." It measure people in the room with a TV on, and some will not be watching the screen.

Communication Value

The next column is my estimate of the relative value of the different media in communicating the brand message (shortened to IMPACT in the table). Here I estimate that for this brand campaign both a Magazine and a Radio exposure have 50% of the impact of a TV exposure. (I've seen the creative to assign these values.)

The final column is the equivalent CPMs these values generate keyed to a TV CPM of \$20.00.

between seeing and hearing (TV) and hearing alone is covered in Communication Value.

Cross Media CPMs

The cross-media CPMs estimated for this brand (column three) show a TV exposure as measured by Nielsen (\$20) is worth three Print exposures as measured by MRI (\$7), and one-and-one-half Radio exposures as measured by the PPM (\$13.50).



These relationships are different from marketplace CPMs. Removing people not exposed to advertising from the audience count of TV and Magazines increases their cost and makes PPM measured Radio look better.

What PPM Brings to Radio

PPM is the only media measurement that doesn't over-count audience.² It reports hearing for Radio. Hearing is the measure of Radio advertising exposure which is the direct link between media spending and consumer response.

And despite the groaning over higher CPMs, that is exactly what advertisers are willing to pay for.

Erwin Ephron

² Out-of-home with its Eyes On measurement initiative will be the second.