THE BLOG 04/14/2011 02:48 pm ET | **Updated** Jun 14, 2011

The Naked Nielsens

By Marty Kaplan

The metrics are wearing no clothes.

How would you react if you found out that the basis of your business model was bogus? That's the nightmare that the television industry is finally waking up to, and I bet that online media won't be far behind.

The TV business is built on advertising. Except for premium cable, the money that networks get for selling audiences' eyeballs to advertisers is the mother's milk of the industry. Networks set the price of ads on their shows using demographic information about the age and sex of those shows' viewers. And the company that pretty much has a monopoly on furnishing those metrics is Nielsen.

So a few weeks ago, at the Marriott Marquis in New York, it must have felt like pitchfork time when a respected TV network figure in charge of analyzing ratings, CBS Corp. Chief Research Officer David Poltrack, told the Advertising Research Foundation's annual convention that, um, age and sex don't matter.

Poltrack put a positive spin on his stunning admission: Look! We're working with Nielsen to come up with terrific new metrics that are way better than those lousy old demographics! But that cheery prospect may not have distracted the advertising and marketing executives in the room from ruing the hundreds of billions of dollars they've apparently thrown down the rat hole these past 35 years.

How lousy are age and sex for targeting ad buys? "Essentially invalid," said Poltrack. "There is no link, none, between the age of the specified demographic delivery of the campaign and the sales generated by that campaign." According to *Ad Age*, Nielsen executives at the convention reported that "ratings demographics by age and sex had a... 0.12 correlation with actual sales produced by exposure to TV ads, where 1.0 is complete correlation and 0 signals no relationship whatsoever." Zero-point-one-two! You'd do better using a Ouija board than Nielsen demos.

It's particularly ironic that this paradigm-popping confession came from CBS. From 1955 to 1976, before any network thought in terms of age cohorts, CBS "was the undisputed king of the ratings hill," writes Neal Gabler in *The Tyranny of 18 to 49*:

> *"CBS's ratings hold was impregnable, but only if one measured the whole audience. It was the genius of Leonard Goldenson, the head of ABC, which routinely finished in third place well behind*

> *CBS and NBC, to change the rules. Unable to compete in the big sweepstakes, Goldenson created a smaller one that he could win. ABC, he told advertisers, was getting younger viewers than CBS and NBC, which meant that advertisers with products appealing to that segment would be wise to buy time on ABC. That was akin to a football team saying that it had lost the game, but it had gained more yards.... The network had managed to make itself seem successful despite its consistent third-place finishes. It was all smoke and mirrors."*

From then on, the 18 to 49 cohort was the "coveted" demo, and it cost a premium to buy. Eighteen to 34 was even pricier. Older Americans? "Viewers over 55 haven't factored into ad rates," says the *Wall Street Journal*, "which made them without value to the networks." The numbers tell the story: A 30-second ad on Fox's young-skewing *Glee* costs $47 per thousand viewers, while a spot on CBS's *The Good Wife*, 60% of whose audience is 55-plus, costs about half that.

But now the jig is up. "Reliance on the 18 to 49 demographic," *Ad Age* reports Poltrack saying, "is hazardous to all media and marketers." It may be just a coincidence that CBS, which these days runs about even with Fox in overall prime-time viewership, is now being killed by Fox in 18 to 49. But it's no coincidence that 80 million baby boomers are aging out of the desirable demo. To sell air time to reach the fastest-growing part of its audience, the industry needs a new metric.

So exit demographics, and, just in time, enter psychographics. That audience-segmentation tool, which collects people into taste and behavior clusters, has been around for a while; if you want to try an online-era version, check out hunch.com. CBS and Nielsen, in what Poltrack calls a "historic move," have now come up with six audience segments to sell to advertisers instead of age and sex cohorts: TV companions; media trendsetters; sports enthusiasts; program passionates; surfers and streamers; TV moderators. The developers of those segments claim that when ad agencies start buying spots on TV shows using these metrics instead of the ones that were fabulous until five minutes ago, there'll actually be a relationship between seeing ads and buying products.

It can't be any worse than what they've been using until now. If you talk to network executives privately, and to account managers at ad agencies, doubt about the utility of Nielsens is a poorly-kept secret. I'm not talking about weaknesses like undercounting racial and ethnic groups, and missing out-of-home viewing in airports and bars, and being clueless about online TV viewing, both legal and not. I mean the conspiracy of silence about the whole premise of demographics.

Why hasn't anyone blown the whistle? Because the entire network-advertising-marketing-research village is in on it, and they've been afraid to burn the house down without some new roof to put over their heads. Poltrack's salvo suggests that CBS and Nielsen are confident enough about what they're touting now to admit that their old model was built of straw.

I suspect that this new metric won't be nearly as useful as the "taste community" analytics still waiting to be born — a transnational audience analysis that mines all the rich new data available about socially-networked online entertainment consumption. But for that to happen, the Web analytics that currently pass for measuring engagement — hits, clicks, visits, visitors, pageviews, uniques, repeats and the rest — may also have to bite the dust.

This is my column from The Jewish Journal of Greater Los Angeles. You can read more of my columns here, and e-mail me there if you'd like.

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