

**Response to the Telecom Regulatory Authority of India (TRAI) on the issues for consultation on the system of Television Rating Points(TRP).**

**Submitted by**

**Audience Measurement and Analytics**

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## **Context**

At the outset, it is important that the context in which the ratings services currently operate be clearly understood.

Prior to the year 2002, there were two TV rating companies in India: TAM, a 50-50 joint venture between A C Nielsen and IMRB, and INTAM – a rating service run by ORG-MARG. VNU, a Dutch company held 85% shareholding in ORG-MARG. At that time, TAM claimed to have 3,450 meters and INTAM 4,150.

In the year 2000 / 2001 VNU bought AC Nielsen for \$ 2.3 billion. Subsequently, in India, it decided to merge INTAM into TAM thereby creating a monopoly. Post-merger, TAM announced a panel size of 4,500 for data collection and 300 buffer meters, against 7,600 meters in the original panels. Some people in the industry have a wrong perception that the unification of TAM and INTAM was an Industry initiative.

Earlier, TAM India created JIB (Joint Industry Body) and perpetuated an illusion that it was an independent industry initiative. JIB had no charter, no constitution/bye-laws, no office, and no full-time staff/secretariat. The TAM-created JIB feigned the claims of ‘participation-by-industry’. In reality though, JIB had no sway over TAM India, which is an Owner Service. AC Nielsen (50% owner of TAM India) creates this illusion of participation by industry in almost every market. In some countries this body is named JIC (Joint Industry Council). In the USA, JIB/JIC is legally banned. A few months back, recognizing the limitations of TAM, the industry (broadcasters, advertisers and advertising agencies) formed a truly industry body named Broadcast Audience Research Council (BARC) making JIB redundant.

### **The Recent Past:**

**1. Justification of 4,500-meter panel adequacy:** Post TAM-INTAM merger, TAM (ACNielsen-WPP Group Company) announced a panel size of 4,500 meters. Whenever questioned about the adequacy of panel size, it maintained that its experts have advised it that 4,500 represents an adequate sample for India.

**2. Monopolistic pricing:** TAM argues that a meter costs almost Rs. 100,000 each and if the users of the ratings data are willing to pay more, they are willing to expand the panel size. The meter price of Rs. 100,000 is a strategic transfer price that the India subsidiary (TAM) pays to the parent company and not the fair market price of a meter through a competitive process. Given that a high-end Pentium computer is now available for below Rs. 25,000, the meter cost Rs. 100,000 is excessive and suggests inefficient technology practices and / or strategic transfer of money to the parent entity under monopoly conditions. An undesirable consequence of this artificial high pricing of meters is the neglect of the rural markets.

**3. Pre-emptive announcements:** As soon as aMap introduced its service, TAM, in keeping with ACNielsen’s record made pre-emptive announcements of setting up an ‘Elite Panel’ to provide the ratings data in higher income homes overnight. As soon as aMap launched its service, after continuing to insist that 4,500-meter panel was adequate for India, TAM then announced an Elite Panel for higher income homes, and also its

intentions to expand the India panel. It finally announced an expanded panel of 6,900 homes in early 2007.

**4. Cartelization / Moral hazard:** TAM India is a 50-50 joint venture between ACNielsen and IMRB. IMRB is a WPP group company. WPP group, through its various companies (**Group M**) controls almost 50% of media buying business in India. TAM used this clout to ensure that their service remains a largely acceptable rating currency. Such cartelization curbs competition and reinforces monopoly and therefore is not permitted in the developed world.

**5. Obsolete Technology:** As is the case with all monopolies, TAM has had no interest in bringing the latest technology to India. While in most of the developed world the viewership data is collected telephonically, TAM's practice in India of data collection from homes kept India among the bottom few countries in the technology space.

Today, far better technology (better than the technology deployed by TAM even in some developed countries) is available at much lower rates. Besides, the developing world with its own peculiarities needs some customized technology solutions. TAM, enjoying 'monopoly rents', has no incentive to develop these solutions.

In India, the overnight data service with telephonic data collection was introduced in 2004 by aMap. TAM still continues to use the obsolete technology and persists in retaining the monopoly rather than upgrading the technology. With the existing monies that are being put into buying television audience research, it is vital that the users receive benefits from advanced technology for foolproof audience measurement at declining costs rather than remain locked-into out dated measurement equipment priced at artificially high "transfer price" and thereby continue to receive inefficient services at high prices while paying monopoly rents.

**Summing up:** TAM (India), a 50-50 joint venture between IMRB (WPP Group Company) and ACNielsen:

- a. Uses obsolete technology for TV audience measurement in India
- b. Insists on the difficulty in the panel expansion (in urban or rural areas) because of high prices its meters. These prices are artificial transfer prices (at which the parent company sells meters to the Indian subsidiary) and not market-determined competitive prices, thereby ultimately hurting the consumers, rural markets and Doordarshan
- c. Thwarts competition by controlling media spend significantly through cartelization (WPP Group that controls almost 50% of the media spend in the Indian markets holds 50% stake in TAM)
- d. Has a history of litigations accusing it of following monopolistic practices. It creates a monopoly in almost every market by buying out local players.

The monopolist has no incentive for innovations and investments in new technologies or becoming more efficient. The monopolist extracts "monopoly rents" by excessive pricing rather than from efficient operations that reduce costs. AC Nielsen is frequently accused of such practices.

## **Way Forward**

We believe therefore that the key issue before us is that audience measurement should be accomplished more efficiently, that is:

- a. The ratings should represent the voice of the people more accurately
- b. The task of measurement should be done at as low a cost as possible
- c. The task should not be vulnerable to manipulation.

These three things are possible only if:

- a. There are no monopolies or monopolistic practices
- b. There is standardization

How to achieve these things is a matter which needs to be extensively debated. For example, if it is required that monopolistic practices be eradicated, various alternatives available would have to be evaluated by debate. Both these aspects, and many others, are best decided **not** just by “industry consensus / a representative committee” but by “experts”. Of course, a representative committee of stakeholders in this business can discuss the expert committee findings. Similarly, institutions that can bring in standardization need to be identified. The Bureau of Indian Standards (BIS), the I&B Ministry or an Industry body are illustrative alternatives.

## **Issues For Consultation listed by TRAI**

**Para 5.1 Looking at the impact of Television Rating Points (TRP) on broadcasters, advertising agencies and advertisers, the first and foremost issue that arises for consultation is whether there is at all a need for the Government to regulate the system of Television Rating Points (TRP), or whether this should be left to be decided by industry initiative for the growth of the rating services? Please give reasons in support of your reply.**

Our comment:

The system for measurement of television audiences in the country has so far been driven by industry initiatives alone with no Governmental role. These initiatives can be commended for making investments in areas where none existed.

Regretfully, fresh investments required to keep pace with rapid technological advances and growing fragmentation of viewership have been few and far between.

The size of the investments required, uncertainty of reasonable returns, and the desire of legacy players to protect their monopolistic positions are equal reasons for this situation. We believe that regulatory intervention is unlikely to be a solution to these problems; a facilitating environment enabling efficient response is the prime need at this juncture.

Hence, we do not envisage a “regulatory” role for the Government. However, there is a strong need for a “facilitatory” role. This is detailed in our comments in Para 5.2

**Para 5.2 If it is felt that Governmental regulation is necessary, what should be the manner and extent of such regulation i.e. whether the rating agencies and or Oversight Bodies be subjected to light supervision or should they be brought under compulsory reporting obligations? Should it be a simple registration or any other mechanism? Please give suggestions on following issues, among others:**

**Para 5.2.1 The eligibility criterion for registration in terms of technical capability/experience,**

**Para 5.2.2 The minimum sample size (in terms of numbers) adequately representing various genre, regions, platforms, stratum etc. ensuring robust television viewing estimate;**

**Para 5.2.3 Type of equipment to be used to address different delivery platforms.**

**Para 5.2.4 Whether technology adopted should be real time system for generation of reports;**

**Para 5.2.5 Minimum coverage required a) over different platforms, b) rural and urban, c) All states including North-East and J&K, d) Prasar Bharti channels;**

**Para 5.2.6 What are your views on restrictions on crossholding / interests between the Ratings Agencies and their clients?**

**Para 5.2.7 What safeguards should be provided to ensure secrecy of sampled families? Please give your suggestions.**

Our comment:

We strongly believe that there should be no ownership conflict between measurement of viewership data and the gains derived from it. Independence of the ratings agency should be fiercely protected.

While reiterating our belief that Government regulation is not necessary, this is one area that we strongly feel should be legislated. Ownership of ratings agencies by entities that stand to gain from the ratings should be specifically barred. Illustrations of such entities are advertisement agencies, broadcasters or advertisers – a more exhaustive list should be drawn up after careful deliberation. This, however does not include bodies where many or all of such agencies will each have a participatory role.

Apart from this aspect, we reiterate our view that no form of regulation is required. We also reiterate the need for a “facilitatory role” mentioned above in para 5.1 on the following lines.

1. A detailed and unified description of the television ownership patterns in the country should be made available through extensive fieldwork.

Currently, private imitative alone has been accomplishing this task. Establishment surveys conducted by the measurement agencies themselves or print readership surveys are instances of such initiatives. Not only does this add costs to the task of audience measurement, it brings in data multiplicity in aspects where there should be none. This eventually shows up as concerns on the cost and veracity of measurement data.

A clutch of Governmental agencies such as the Census of India at the one hand and the NSSO (Ministry of Statistics and Programme Implementation) or the NCAER has demonstrated world-class credibility in data gathering and impartial data dissemination. They have successfully demonstrated the wherewithal to reach virtually every individual in the country. A description of the TV ownership and other base data developed by them will have the credibility and impartiality to give it universal acceptance.

The data dimensions that this survey could capture is:

- a. TV ownership
- b. Penetration of respective delivery formats: broadcast, C&S, DTH etc.
- c. Demographics

Since the objective is universe description and not audience measurement itself, gathering of data on viewership practices is not expected.

2. To a large extent, absence of a funding mechanism for ratings agencies leaves room for vested interests to take a beneficial interest in this activity due to their ability and willingness to make investments.

Costs of gathering data from respondents far exceed those of data dissemination to users. Since measurement agencies must recover these costs through sale of data, the eventual price of data based on this need becomes high. High price of data restricts access to the privileged few that can afford and could potentially put it out of the reach of minority interests. The Government should therefore help arrive at a mechanism to meet the costs of data gathering.

A system where data gathering costs are met on a guaranteed basis will make the data more affordable. It will ensure that significantly larger number of entities will be able to access data. This will facilitate a more objective debate on issues relating to the industry and, eventually, more efficient decision-making.

3. The Government should play a lead role in gathering and disseminating detailed information on advancements in audience measurement technology, in educating the stakeholders about the advantages and disadvantages of each and in creating a forum where each new technology can be assessed and tested. Because costs and risks of new technology can be high while assurance of returns may be low, risk mitigation of new technology adoption will go a long way in keeping the industry continually updated.
4. Grass roots level research on TV viewership in the country should be regularly undertaken. Regardless of who the measurement agency is, substantial amount of data on TV viewership practices in the country is already being – and will continue to be – gathered. Research on this data to develop new and detailed insights will go a long way in building a policy framework for the industry. The Government, through an appropriate agency can commission this research, the findings of which can made publicly available and can be discussed at various policy making forums.
5. There should be a mechanism and a forum where accurate information about the measurement agencies in the country and elsewhere should be readily available.

**Para 5.3 If it is felt that this should be left to be decided by industry initiative, what should be the framework for such arrangement and the role of the Government with reference to the issues narrated from 5.2.1 to 5.2.9.**

Rather than attempt to establish a framework for an omnibus arrangement involving all existing and potential rating agencies on the one hand and the Government on the other, we believe that the Government, through its legitimate interest in Doordarshan (Prasar Bharti) can play a lead role as a broadcaster in putting these initiatives in place.

The strength of Doordarshan's (DD) reach and viewership is grossly under-leveraged today and implementing at DD the proposals made herein as a role model for the industry will not only dramatically benefit DD itself but will also serve as a live example of best practices in the industry. Investments required to cover Rural and Small town markets can truly be justified on the grounds of the stake that DD has in these markets. The rating agency evaluation and selection practices that DD will demonstrate and the investment approach that it will adopt can itself go a long way in catalyzing the process of technological advancement and growth in this industry

We therefore believe that the best way forward for the Government will be for DD to function as a “model” broadcaster and take the lead in implementing an outstanding example of an efficient rating system in the country.

**Para 5.4 What are your suggestions to encourage competition in rating services?**

**Our comment:**

While extensively detailed in the preceding paragraphs, we reiterate our views on encouraging competition in ratings services as follows:

1. Market forces, and market forces only, should decide upon the choice of the ratings service provider. As a corollary, multiplicity of ratings services should be specifically encouraged; the selection of a particular service provider by any and every user would then be decided on the strength of accuracy, reliability, cost and features.
2. Standardization should be speedily brought in so that competing services can be readily compared. Subject matter experts should decide on this aspect with a representative body of user-stakeholders assisting the task.
3. Funding sources and mechanisms should be found so that services providers that meet standardization criteria are provided for meeting their costs of data gathering.
4. Cross – ownership of ratings services by any specific advertiser, agency or broadcaster should be prohibited. However, industry bodies of such entities coming together to own such an agency should be allowed.