The Hidden Story Behind TV’s Ratings Decline

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Table of Contents:

Section 1
Ratings are the Surface of a Deeper Truth about TV Viewing.....................pgs 3-6

Section 2
Viewing by Younger Audiences.................................................................pgs 7-8

Section 3
Changes in Viewing Behaviors.................................................................pgs 9-10

Section 4
Impact of Long Duration Viewing On TV Ratings........................................pgs 11-12

Section 5
Why Ratings Are Down & What It Means For TV Advertisers.....................pgs 13-15

Section 6
Q&A with Forrester Analyst Jim Nail........................................................pgs 16-17

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The Hidden Story Behind TV’s Ratings Decline

You’ve undoubtedly heard the old saying that the only two certainties in life are death and taxes. To this, I’d like to add another: The mid-autumn media blitz about the decrease in ratings of live television. Just as the NFL season reaches its midpoint and the broadcast networks’ new program schedules hit the air, you’re likely to read any number of stories about how the ratings are down for a specific network, program, or timeslot. The coverage may or may not go on to opine on the importance of this phenomenon to the media companies share prices.

What those same articles often neglect to discuss is what the fact of a lower rating means in terms of how people are watching television. Media coverage tends to treat a network’s or a program’s rating as the beginning and end of the story of how people watch TV, but the real story about television viewing lies below the surface. Understanding that story requires a deeper analysis of viewing data collected at the individual and household level.

The analysis contained in this white paper reveals this deeper truth about TV viewing that underlies the common refrain that ratings are down. We looked at four and a half years worth of live viewing behavior using Nielsen’s All Minute Respondent Level Data (AMRLD) and discovered that TV as a medium is alive and well. Further, our research demonstrated that the ratings decline is a combination of two factors:

• A decrease in total viewing that’s more nuanced than we’re often led to believe.

• People are actually behaving differently while they watch TV.

In the following pages we’ll explore the details of each factor, discuss their implications for marketers, and demonstrate why it’s more important than ever that they employ better audience data and technology to reach more of their target audiences.

TV as a medium is alive and well.
Section 1

Ratings are the Surface of a Deeper Truth about TV Viewing

FIGURE 01: RATINGS DECLINE

The chart in figure 01 shows the change in overall national TV live ratings over the last four and a half years. The values on the chart’s y-axis represent the sum of live ratings points across all networks and all channels on television.

This is a holistic, high-level view of television. The downward sloping trendline shows a decrease of around 25% in the time period.

Often overlooked however, is the fact that changes in ratings points are not necessarily proportional to changes in the number of viewers. This fact is relevant because, while marketers will buy ratings points to transact on TV, they do so in pursuit of reaching people. Therefore, analysis of the ratings decline requires that we pivot to a people-centric perspective in order to determine how ratings are truly related to people’s viewing habits.

Analysis:

Simulmedia’s Data Science Team conducted an in-depth, time series analysis of person-level viewing according to Nielsen AMRLD for the last four and a half years. We also drew some supporting analysis from other data sources like the Nielsen Total Audience Report and Kantar Media Intelligence.

The last four and a half years is an interesting time period in the consumer landscape, as it coincides with the proliferation of options available to view high-quality video content. Ultimately, we find that, despite viewers having more and more choices available to them, they continue to tune into national linear television more than any other platform.
Over these last four and a half years, the total number of people who watch TV in the U.S., the universe of TV viewers, has increased by about 5%, and each year we find more people living in households with at least one television.

How is this related to the changes in ratings? A ratings point is a fraction, with the numerator being the average number of people tuned into a program for the duration of that program, and the denominator being the number of people in the total TV viewer universe. So, when the TV viewer universe becomes larger, the denominator increases. If the number of viewers doesn’t change, the value of the rating will decrease. This means that a single rating point in 2013 is actually smaller in terms of the number of viewers tuned to a program or commercial than that single rating point today. The decrease is due in part to an increase in TV viewers.

For now, though, let’s take the denominator out of the analysis and focus on the numerator—the average number of people tuned into a program.
The chart in figure 03 shows a 15% decrease over the last four and a half years in the average number of viewers tuned to live programming each minute on any national network. When we account for the fact that the viewer universe expanded 5% in the same time period, the change in the aggregate measure of live TV viewing is less severe than the 25% drop in ratings would indicate.

Less severe though it may be, there are still fewer people watching TV every minute than there were four years ago. But what’s equally relevant—if not moreso—to marketers is people’s engagement with the content they watch on TV. With that in mind, let’s turn to a better attention metric: time spent watching live TV.

**FIGURE 04: WEEKLY TIME SPENT WATCHING TV**

We’ve switched metrics, but we see the same downward trend. The number of hours people are watching live TV over the last four and a half years has also declined about 15%.

It’s important to note, though, while the number of hours watching has declined, the sheer volume of attention that viewers devote to live TV remains extremely high.

Today, the average US viewer allocates around 18 hours to live national TV each week. When compared with the 36 hours of free time we have per week, time not spent working, sleeping or eating, as reported by the United States Bureau of Labor Statistics in its American Time Use Survey¹, we can see that the average person spends roughly half of his or her free time being entertained by live TV.

While it’s crucial to look at the entire TV watching universe for context, from a marketer’s perspective, it’s also important to understand which audience segments are the ones driving changes in viewing so they can make the right decisions about how to spend their advertising dollars. As such, let’s look at viewers aged 25+, a segment that accounts for a the preponderance of the nation’s purchasing power. And of that group, let’s focus on the individuals who tune in to live TV for at least half a show per week—let’s call it 12 consecutive minutes.

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¹Blis.gov - https://www.bls.gov/TUS/CHARTS/LEISURE.HTML
Source: Nielsen ARMLD, P2+ Viewing
The chart in figure 05 shows the average weekly live TV viewing hours for all viewers (green series) and for people aged 25+ and who watch at least 12 consecutive minutes of TV (blue series). The green series is the same data as in figure 04, and included here for reference. Whereas the all-viewers line shows a clear trend downward, you’ll note that the weekly live viewing of people who are age 25+ and watch TV for at least 12 straight minutes at a time is relatively stable.

Why 12 minutes? We found that to be the point where the viewing behavior stabilized over the course of four and a half years. The behavior of people who watched less than 12 consecutive minutes more closely resembled the green trend line of all events. Additionally, we believe a twelve minute threshold is a relatively low bar for engagement—which is good, because it shows that, aside from the most casual viewers, viewing behavior remains unchanged.

In other words, for this segment, which accounts for a majority of the population, there has been almost no decline in TV viewing in the last four years. For advertisers, this should come as a welcome surprise, and inspire confidence that TV advertising remains as powerful a messaging medium as it was in 2013.

The flip-side to this, of course, is that if the viewing of people 25 or older who watch for 12 or more minutes is stable, we can deduce that it is the viewing of people younger than 25 and watching for less than 12 minutes where we’ll find the source of reduced ratings. Let’s dig into that a little further.
Section 2

Viewing by Younger Audiences: Down But Far From Out

In this part of our analysis, we’ll examine the viewing behaviors by age segments and pay special attention to the changes in viewing by the younger demographics.

![Chart showing average weekly live TV viewing hours by age demographic segments.](chart.png)

The chart in figure 06 portrays the average weekly live TV viewing hours for viewers in six age groups.

You’ll see that the largest declines are indeed for people under 25 years old. The moving averages of average weekly viewing hours for kids age 12-18 and adults age 18-25 both trend downward relatively more than the older age segments. As you might expect from seeing the stability of the A25+ weekly viewing hours in figure 05, the weekly viewing hours of the demographic segments of age 25+ is relatively unchanged through the period.

To most people in the industry, the fact that younger people are watching less TV should not come as a surprise. As we have said, the implications of this trend for marketers require a deeper dive into the data. To gain a better understanding of how the change in volume of TV viewing time impacts marketers, and whether it merits a re-allocation of media dollars, we can turn to Nielsen's Total Audience Report.

Source: Nielsen ARMLD, P2+ Viewing
The Total Audience Report shows us how much time different age groups spend consuming media across channels. Looking at the the most recent Total Audience Report with measures through March 2017, we see that both Generation Z (Kids ages 2-20) and Millennials are giving more attention to TV than other media. Are they watching less TV than they were before? Yes, but given its massive scale of reach, TV as a media channel remains the most effective means to reach them.

We've now established that while TV ratings are down, understanding the reasons behind that decline give us a much more nuanced view—one that is far less severe than the more sensationalist headlines would have us believe.

But as we stated at the beginning, even that only tells part of the story. For the rest, we need to look not just at how viewing time has changed, but how people's behavior has changed while they're watching TV.
Changes in Viewing Behavior: More Time Spent on Fewer Networks

FIGURE 08: EVENT DURATION INCREASING

Figure 08 portrays viewers’ average live TV viewing duration over the past four and a half years. Viewing duration is the amount of time between when a person begins viewing TV and when he or she stops watching TV. You’ll note that the average viewing duration in the period, especially after 2014, is trending upward.

So, people watching television are tending to view for longer periods of time. That’s interesting, but it doesn’t say much about their viewing habits during that time frame. For example, are they tuning into more channels? Given that the average TV viewing home receives almost 200 networks, this would be a reasonable expectation. Analyzing the trend in per-person channel changing would shed light on the question. However, AMRLD, the data on which we’re basing our analysis, is challenged to portray channel flipping. As implied by its name, AMRLD reports on each minute that a respondent is viewing. If a respondent changes the channel multiple times within a single minute, AMRLD will assign the entire minute to the network that viewers watched most of that minute. This is called the “majority minute” rule. The result is that sub-minute channel changes are not viewable in AMRLD. These sub-minute channel change events are knowable through analysis of second-by-second viewing data in Simulmedia’s set-top-box panel. What we discovered is that channel changing within a viewing event is actually on the decline. In other words, people are not flipping channels like they used to.

In order to corroborate this analysis with AMRLD, and given the limitations of the “majority minute” rule, we need to take a slightly different approach and look instead at the number of networks the average TV viewer watches.

Source: Nielsen ARMLD, P2+ Viewing
As we noted earlier, given the increasing number of networks available, it'd be reasonable to assume that people are watching more networks. However, figure 09 shows that this is not the case. In fact, over the past four and a half years, people are watching fewer networks. The top chart in figure 09 shows the percentage of all viewers who watched different counts of networks each day, in each year of the time period we're analyzing. For example, if you turned on the TV, watched two networks, and then turned off the TV, you would be counted among those viewers who viewed two unique nets per day.

You'll note that, in the last four years, the percentage of viewers tuning into just one network per day has more than doubled. A helpful way to think about this would be to compare it to foot traffic at a mall. Someone could spend a little bit of time in a lot of different stores, or they could find one store that best suits their needs and spend most of their time in that store. In TV terms, viewers are now finding the smaller set of networks airing content that they like, and tuning in to those at the expense of flipping channels.

The bottom chart in figure 09 illustrates the fragmentation of audiences across TV networks by portraying the number of distinct networks watched by the viewers of different counts of networks. It shows us that to reach all of the people who watch just two networks, you'd actually need to advertise on 135 networks. If there is any one visualization that drives home the challenge of fragmentation on TV, this is it.

To reach all of the people who watch just two networks, you'd actually need to advertise on 135 networks.

With people watching fewer networks—and with each person having their own unique preferred set of networks—a brand will find their target audience spread out across even more of linear TV.
Section 4

Long Duration Viewing: Impact on Planning Strategies

Now that we know people aren’t changing channels as much as they used to, let’s see how that directly impacts TV ratings.

FIGURE 10: VIEWING BY VIEWING DURATION SEGMENTS

In figure 10, we split viewers into three segments. Long duration viewers (red) are people with TV viewing sessions longer than 45 continuous minutes. Medium duration viewers (green) are people who watched more than 6 minutes and less than 45 minutes, and short duration viewers (blue) are people who watched less than 6 minutes.

The chart shows daily TV viewing events, or impressions, by viewers in each of the three viewing duration segments. You’ll note that the short duration viewers are declining at a faster rate than the medium and long duration viewers.

This corroborates what we saw in figure 05, which showed that the number of people who are just sampling content by flipping channels is on the decline.

These trend lines have important implications for marketers and agencies planning TV ad campaigns. Let’s go back to the mall foot-traffic analogy. Previously, when short duration viewers accounted for a greater share of networks’ audiences, marketers could place a large volume of their commercial spots on a smaller set of networks and expect to reach much of their target audience due to the relatively greater amount of foot traffic on those networks.

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Source: Nielsen ARMLD, P2+ Viewing
Today, as we’ve shown in this analysis, people concentrate their viewing on a smaller set of networks for longer periods of time. With relatively fewer viewers flipping from one channel to the next, the smaller set of networks on which the marketer placed TV ads won’t deliver the same target audience reach it once did.

In order to maintain or increase the target audience reach of their TV ad campaigns in today’s environment, marketers and agencies should use media plans that span all the networks that their target audiences are most likely to watch. Doing so requires marketers to recognize new viewing habits and to have the ability to know where on TV their target audience will view. These are critical considerations because the phenomenon of fewer viewers engaging with channels for short durations manifests itself differently for each network.

To show how changes in viewing behavior impacts individual networks, figure 011 shows how the long, medium, and short duration viewers have tuned to nine different networks.

Looking at the trend lines that summarize how long, medium and short duration viewing has changed on each network, you’ll note that some networks enjoy more stability—with a greater share of viewership attributable to short duration viewers. If marketers and agencies find their target audience tunes to these networks, they could opt to run more of their ads on that network in order to enhance their campaign’s reach.
Why Ratings Are Down & What It Means For TV Advertisers

Figure 12 below shows how we’d decompose the overall reduction in ratings of live TV over the past four and a half years. Decreased viewing by children and young adults accounts for the majority of this decline, while a smaller, but not insignificant, portion is attributable to the decrease in short-duration viewers.

FIGURE 12: BREAKING DOWN THE CHANGE

Now that we know the why of it all, we must turn to what it means for marketers—and the results should renew their faith in the power of TV to reach their target audiences. While overall viewing is down, those viewers over age 25 who represent the greatest share of commercial value to marketers, and who watch at least 12 consecutive minutes of TV are watching essentially the same amount of TV as they did four and a half years ago. And even though younger viewers are watching less TV overall, TV still accounts for a greater share of their attention than any other medium. To put it another way, almost everyone is still watching TV, and it’s still the most effective medium for reaching audiences at scale. To drive that point home, let’s consider the how the “digital duopoly” of Google and Facebook are using TV advertising.

Google and Facebook collectively know more about individual media consumption than pretty much anyone. They see how their users interact with digital media, they understand the value of those interactions, and yet each have been increasing their spend on national TV. Even with the biggest digital platforms at their disposal they still invest heavily and increasingly in TV ads to reach their customers on national linear television.
Figure 14 below helps explain why the digital duopoly would choose to increase their investment in TV advertising.

The reason Google and Facebook are spending on TV is because on any given weekday primetime, between 8 pm - midnight, on national TV, you can reach over 100 million viewers—which is around 30% of the television viewing universe in the United States.

In buying across multiple dayparts, no other medium offers brands the means to reach as much of their target audience in such a short period of time.

Source: Fig. 013 Kantar Media Intelligence, Fig. 014 Nielsen ARMLD, P2+ Viewing
In this analysis, we have shown that the ratings decline is due to a combination of the commonly understood decrease in viewing by younger audiences, and the relatively unexplored phenomenon of reduced foot-traffic by short duration viewers. In the unchanged viewing behavior of people aged 25 or more who tune in for at least 12 consecutive minutes, we’ve proven that there is a stable foundation of television audiences on which marketers can continue to rely. And we’ve drawn on Nielsen’s Total Audience Report to illustrate how TV remains the best medium for marketers to reach younger viewers at scale.

The reduced foot-traffic on TV presents a challenge to marketers and agencies who are looking to either maintain or increase their target audience reach. Meeting this challenge requires the adoption of new audience and viewing data, as well as technology that lets marketers apply that data in the pursuit of finding their target audiences across the increasingly fragmented TV landscape. An example of this is using technology that applies predictive modeling of person-level viewing behavior to media planning. Marketers can use this forecast to understand what members of a target audience will be watching during the flight of a campaign and, in turn, how to reach them more efficiently. This forecast will likely indicate that an audience can be found across more networks and dayparts than are selected for a traditional media plan, so marketers must be prepared to consider how they balance traditional buying practices with the recommendations of the technology in order to achieve the greatest reach efficiency.

Many marketers have turned to Simulmedia to help them in this effort. Simulmedia’s VAMOS platform features two patented algorithms: the first predicts what a custom target audience will be watching during the flight of a campaign; the second automates the selection of inventory in such a way that it maximizes the reach of the custom target.

The best news for marketers is that solutions like VAMOS, which help to increase TV’s performance with respect to reach and business outcomes—are available today. By truly understanding how TV viewership is evolving, marketers can empower themselves to adapt their TV advertising strategy to this new reality.
Q&A with Forrester Analyst Jim Nail

After a Simulmedia webinar featuring Jim Nail, we discussed ideas from Jim’s research on how new planning and buying approaches are emerging to enable marketers to meet their brand building goals.

Simulmedia: Given the changes in consumers’ viewing behavior, how should brands think about television in their media mix?

Jim Nail: Despite the changes that TV is undergoing, the content it delivers is still highly compelling to consumers and it remains unrivaled in its ability to deliver impactful brand messaging that drives consumer buying behavior. That said, as consumer viewing behaviors fragment across mobile devices, over-the-top services, and online video, a traditional strategy with linear (ie, live viewing) programming at the core no longer is assured of achieving effective reach and frequency as in the past.

SM: While the average television viewing time per person has remained relatively constant, the audiences of individual networks and shows have declined and become fragmented. How can advertisers still benefit from the reach of television despite smaller audiences for individual shows?

JN: TV is still the most reliable way to deliver reach in the millions at specific days and times. But, of course, even prime time hits now only deliver low single-digit millions vs the tens of millions they could deliver a few years ago. But this is a trend that has been in the works since the advent of cable and marketers have learned they must buy more spots across a growing set of broadcast, cable, and local inventory to achieve their desired reach. We have reached a point, though, where direct buys are becoming less and less efficient and marketers and their agencies will need to adopt automated planning systems.
SM: The data that marketers have on their own customers can be a gold mine to enrich their execution on TV, but, with that data sometimes siloed by function or dispersed across multiple platforms, marketers can face practical difficulties making use of it. How are the most effective marketers using their customer data to improve the performance of their TV advertising and drive growth for their organizations?

A: All marketing is becoming data-driven and all marketers need to have a data strategy at the center of their marketing strategy, and a technology implementation to support execution. So over time, data availability will become less of an issue. That said, for television you don’t need the granularity of data that is applied in programmatic digital advertising. Most television is still buying spots in programs, so "one-to-one" isn’t even possible. But just applying a couple of simple data points allows marketers to be more selective in the programming in their schedule so they achieve a higher audience composition against their strategic audience. Just as they have long used a brand development index or category development index in prioritizing DMAs for local station buys, they can now apply this kind of thinking at the network/daypart/program level. The easy examples are a pet food brand looking for programming with a higher concentration of dog owners or a diaper brand looking for programming whose audience indexes highly for households with children under the age of 3.

Q: Traditionally, it has been difficult to measure the direct impact of television advertising to sales. Now, there are several approaches to directly measuring TV effectiveness using closed loop matched panels, media mix models and lift models to measure incrementality. What do you recommend to marketers to measure their TV campaigns?

A: As with any measurement decision, marketers must match the right measurement approach to the objective for their campaign and the availability of data. So for Black Friday campaigns whose sole objective is to get people in stores to capture holiday gift spending early, a closed loop matched panel is likely the best choice with either the retailer’s POS data or credit card data from a third party data provider. But for something like a brand repositioning which may take a longer period of time to show an effect, a media mix or marketing mix model is likely the best choice and should be paired with brand tracking surveys to correlate the sales response to the effectiveness of changing brand attributes and associations. Lift models help measure differences in creative or target audiences and can often be derived from a closed loop matched panel by analyzing for the differences between exposed and unexposed households.
For more information about how Simulmedia can help you reach more of your target audience and drive growth for your business, visit www.simulmedia.com/makemytvadsperform and contact us today.