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Josh Bernoff



CORPORATE | MEDIA

What will happen to Nielsen?

By Josh Bernoff February 1, 2019

Nielsen, the ratings giant that measures how we watch TV, browse the Web, and buy things, is [for sale to private equity](#). Just watch: you're about to see a perfect example what happens money men get their claws into the economics of monopoly.



As I wrote yesterday, [monopolies prioritize strategy over customers](#). As I learned in my decade as a television industry analyst, Nielsen is a perfect example of a monopoly.

With written diaries and later meters in people's homes, Nielsen estimated the viewership of every television program based on a sample of "Nielsen families." Everyone in the industry knew the written diaries — often based on people's "recollections" of what they watched — weren't an accurate reflection of real viewing. (A lot more people recalled watching educational programming on PBS than were actually watching it, for example.)

Later, Nielsen introduced "PeopleMeters" that measured what was happening on your TV — but as video viewing increasingly diversified, those meters were missing a lot of consumption. They also had to determine whether you were actually in the room, or the TV was just blaring to nobody.

During my time as a television analyst, video-on-demand and digital video recorders began to spread. Since research company analysts focus on future shifts, I was all over that trend. Nielsen was not. It took many years for it to acknowledge and measure delayed viewing on DVRs, even as the TV industry kept asking for it.

Arbitron, the monopoly that controlled radio ratings, had developed a product called the “Portable PeopleMeter” (PPM) that members of the sample could wear — it would then identify and report back on all media consumption. (At the time, as a Forrester analyst, I [wrote a report](#) for Arbitron on how the PPM would impact radio ratings and ad sales.)

Finally, in 2013, [Nielsen acquired Arbitron](#). This was in part a reflection of how far behind Nielsen’s technology had fallen. It needed the PPM to deliver any credible measurement of actual video consumption.

How Nielsen reflected monopoly dynamics

From the beginning of TV, Nielsen had a monopoly in the TV ratings business. Its metrics were essential. No TV network could survive without knowing who was watching its programs, and no one could buy advertising without a measurement of the level of viewership of various programs. The entire economic basis of television was predicated on these ratings.

How solid was that monopoly? So solid that I actually once watched a workshop delivered by the head of research for one of the large TV networks, called something like “How to manage your research budget when Nielsen raises its prices every year.” That hit me right in the cojones, because the rest of the network’s research budget included payments to research providers like my employer at the time, Forrester Research.

And yet everyone — every network, every agency, every advertiser — knew the ratings were of questionable accuracy. And as technology advanced and viewing diversified, Nielsen was always years behind the trends in measuring the new forms of consumption.

I talked frequently to the executives in the TV and ad industry about this. I suggested that they should form a competitor to Nielsen based, for example, on information from cable boxes.

From time to time, television and ad industry people would actually back some venture that would propose to do a new form of television measurement. For example, [this Ad Age article from 10 years ago](#) reflects some of those efforts. But somehow, these competitors never caught on. Nielsen would figure out what the competitor was doing that it couldn't and make some minor move in that direction, enough to keep its network and advertiser clients on board. And then the competitor would fade away as its backers drifted back to Nielsen.

Notice what's happening here. Nielsen's customers couldn't make change happen any faster than a snail's pace by directly complaining to the company. The only way they could force improvements was by backing a disruptive competitor, at least for a little while.

I actually approached Arbitron's management at the time I was working on the PPM study. Arbitron was firmly in control of radio ratings, but if it could develop TV ratings, it could dethrone Nielsen with a better product. Confidentiality prevents me from telling you how they responded, but you can look at history and see the result: Arbitron never did challenge Nielsen in TV, until the point at which Nielsen acquired it.

I also interacted with Nielsen during this time, including challenging its CEO in front of a small gathering of about 15 powerful TV executives. I asked why Nielsen wasn't more responsive to technology changes. She said they were working on it.

She was very conciliatory. But change remained very slow. She had taken on the traditional monopolist CEO's role of public apologist.

What will happen when Nielsen goes private?

Private equity ought to love a monopoly.

The role of private equity is to improve profits, often by cutting costs. The [TV ratings revenue of Nielsen is solid](#); after all, it is a monopoly. But what costs could be cut?

Well, Nielsen could go even slower in adapting to measurement trends in a world where Netflix, YouTube, Spotify, and who knows what other consumption channels will be transforming what we watch and how advertisers value it.

Does “private equity” mean “invest in the future” to you? If so, show me a notable example where a private equity firm in possession of a traditional monopoly business did more than cut costs, reduce headcount, and “streamline management.” It make perfect financial sense.

But it doesn't make much sense in a shifting media landscape.

So what will happen to Nielsen?

[#Arbitron](#)[#monopolies](#)[#Nielsen](#)[#private equity](#)[#ratings](#)[← PREVIOUS](#)[NEXT →](#)

A monopoly always prioritizes strategy over customers. That explains a lot.

That Andy Warhol Burger King ad was misguided and pathetic

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4 Comments



Carl Doty says:

February 1, 2019 at 9:51 am

Private equity or not, Nielsen's relevance decreases as consumers' viewing habits accelerate toward streaming services who have their own data collection and measurement practices. I completely agree with you – private equity does not mean “invest in the future”. PE firms squeeze profits out of the business for a couple of years and then unload it to the highest bidder. Case in point – Marketo.

Reply



Phil Simon says:

February 1, 2019 at 10:30 am

Nielsen still offers some value. Netflix purchases third-party data and metadata from Nielsen. Make no mistake, however: Netflix execs are smart enough to know that it's not 1998. I've even heard of one head honcho there calling Nielsen's measures 'meaningless.'

[Reply](#)**Allen Roberts** says:

February 1, 2019 at 6:25 pm

In Australia, Nielsen has had a business analysing stock movements into and out of retailers, on top of the TV and radio ratings business you describe. For the 45 years I have been involved, it has been an inefficient and sloppy monopoly based on the cash Nielsen delivered to the highly centralised retailers we have, where 75-80% of consumer packaged goods are sold by two chains, for exclusive data access. There have been several competitive businesses started over the years. all with the knowledge that once you got a foothold, which the suppliers to retail were keen to deliver to get a better service, Nielsen would turn up with a bag of money to buy you out. The buy-out has been a specific part of the business plan. I will be glad to see them gone!!

As an addition to the thought, Governments here have been flogging off public assets (water, power, telcos, airports, etc) for years to generate cash to waste on various schemes, then bleat and look surprised when the buyer now protected by a regulated monopoly, pumps up the price to the public. Unbelievable stupidity!

[Reply](#)**Charlie Ferguson** says:

February 2, 2019 at 12:29 am

The new competitor should be pretty easy to build! With bluetooth in every vehicle, a company should be able to gather the data in the background and create “Rolling

Ratings!!”

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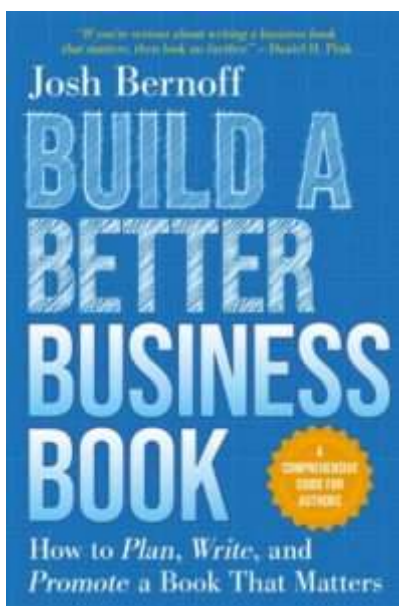
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