

## Rapid Response Transcript – David Kenny

“The truth about what we watch”

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**DAVID KENNY:** It's an interesting year for everybody who's in media. The industry started to say, there could be something wrong. Accreditation does its job, and they said we should suspend accreditation until you get it fixed. So now we're going about fixing it.

Broadcast is less than half of viewing. The majority of viewing is streaming now. The way we best serve them is to tell them the truth. Sometimes people don't like the truth.

You can rank studios, networks, platforms by how inclusive they are. The more forward thinkers are using this to figure out just how broad of an appeal an inclusive cast would have.

We wrote an Amicus Brief, we went to the Supreme Court, we took out ads, I wrote an op-ed in the New York Times to be sure that people understood what was at stake. When truth is challenged, I, as the CEO of Nielsen, have to speak up about it.

**BOB SAFIAN:** That's David Kenny, CEO of Nielsen, the media and TV ratings company that has defined success and failure in the TV business for decades.

This year, Nielsen has found itself under increasing scrutiny, its ratings questioned in new ways as viewing habits shift radically from traditional networks to streaming.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to David because when industry norms are in transition, frustration often follows, and Nielsen this year has been a repeated recipient of grief.

But David has remained calm, in part by staying focused on the opportunities Nielsen has ahead, instead of the limitations of today.

By embracing an entrepreneurial outlook, he's pushing the organization to be an advocate for facts, for truth, and for inclusion.

The media industry is often at the leading edge of cultural and business change, which makes it an ideal prism through which to see how legacy organizations and upstarts adapt to new conditions.

As David notes, nostalgia is the opposite of optimism – it assumes that a known past is better than an unknown future. Only by choosing optimism, David argues, can we lean into the changes required to compete and thrive in a modern economy.

## **[THEME MUSIC]**

**SAFIAN:** I'm Bob Safian, and I'm here with David Kenny, the CEO of Nielsen. David is talking to us from his home outside of Boston, as I ask my questions from my home in Brooklyn. David, thanks for joining us.

**KENNY:** Thanks for having me. Good to be with you.

**SAFIAN:** So you are in the midst of what some might call an existential crisis. Nielsen's reputation was built on TV ratings for traditional broadcast TV and then cable channels. But viewing habits are changing with streaming and cord cutting and time-shifted viewing across multiple devices, habits that have all been accelerated through the pandemic. And amid that, you now find yourself kind of in a street fight with some of your best customers who are agitating to rely on their own measurement systems, and your gold standard products have been unceremoniously dissed by the industry central authority, the media ratings council, MRC, which suspended accreditation. Coming out of 2020, which wasn't easy for anyone, 2021 has been kind of a rough year for you?

**KENNY:** Well, I think it's an interesting year for everybody who's in media. And I think it's important to put all that in context. Certainly, our first priority is to measure the audience and represent her – however, wherever, and whenever she wants to consume media. And so we've got many clients who are happier with their metrics because if you've got a big streaming platform, if you have gotten new viewers under your platform, Nielsen ratings show that. If you're in the traditional platforms, of course, the ratings went the other way, and so that does cause people to get cranky. And to be fair, there were absolute real challenges with maintaining the panel part of our measurement during the height of the pandemic. Before vaccinations, you really couldn't go into people's homes. So we are recovering from that, but I think there is going to continue to be noise all around media as new viewership and new patterns settle in.

**SAFIAN:** I want to double click a little bit so people understand this accreditation fracas that emerged recently.

**KENNY:** Yep.

**SAFIAN:** Part of the trouble had been with the size of Nielsen's panels, the size of the data set, which put the trustworthiness of the results at risk. And then there was kind of the

communication about that data set. You said in a recent open letter, we haven't been perfect. Can you explain how these troubles came about?

**KENNY:** Sure. And for folks who aren't close to the wonkiness of accreditation, as we produce an estimate or rating every day of what people are watching, or listening to in the case of audio, those are built with models that use a lot of big data, and they're validated by panels of actual people. And the panels are important for validating those models. Just as any AI model I've ever been involved with, you needed to have empirical evidence. So the way we do that is we have 40,000 families, a little more than that, around the country that represent every geography, every ethnic group, every income level to make sure we represent America in those ratings. During the pandemic, you couldn't go into their homes to fix that. So that was a challenge.

**SAFIAN:** To fix, to maintain those machines?

**KENNY:** Yeah. If somebody unplugged a machine, or they bought a new TV and they didn't hook it up right to the new TV properly, or they bought other devices...

**SAFIAN:** So there's constant maintenance.

**KENNY:** Yeah. We visit the homes frequently. And it's also the way we sign up new people. So that certainly faced some issues. We were clear about that. It was obvious, I think a lot of businesses had to change their practices.

**SAFIAN:** For sure.

**KENNY:** We were going to be responsible citizens and did our best to do everything we could outside the homes to maintain things. But in retrospect, we could have communicated earlier that these changes may cause the numbers during the pandemic to be unusual and to have more degrees of error around them. And I think we didn't get that as clearly communicated in everyday language. After you got into several months of not being in homes. February, March of 2021, that's when the industry started to say, after this much time, there could be something wrong. We went back, we actually did get into the homes. We took out anybody who might have had a machine error, and we tried to recalibrate it.

And we did say that could have caused an error of 2% on average, some networks were as high as 6 for the month of February. And that's enough that honestly, it's out of standard. Accreditation does its job, and they said we should suspend accreditation until you get it fixed. So now we're going about fixing it. I respect the accreditation process. And I think that this is giving us a chance to fix it. What I don't want is to create a noise that diverts from the bigger issue, which is how do we measure streaming, because

that's really what's happened is the behavior has changed dramatically during the pandemic.

**SAFIAN:** You mentioned that some of the results were unusual, but of course our behavior was unusual during this time. So it's not surprising maybe that some of the numbers would be a little different than what they had been from before.

**KENNY:** Yeah. Well, listen, I think of course they were different for that reason. To be fair, if there's a machine error, you should take that data out. So there were some errors that we found after the fact that, I don't think it fundamentally moved the needle, but they were enough to say we really need to get the panel back to its size. We need to go back to normal practice and recover for the year that we weren't able to be in homes. So we're working double time right now. But this is largely a discussion around broadcast, which is less than half of viewing. The majority of viewing is streaming now, which is done in a different way, and we're working hard to make that happen too.

**SAFIAN:** A lot of your clients are traditional networks, and the concern about your data and numbers being down, they may not want to admit that the scale of traditional TV watching is declining as rapidly as it is. The bigger picture is the marketplace is changing.

**KENNY:** It absolutely is changing. And in fact, some of our bigger clients today are streaming platforms that are new entrants. So even our customer mix is shifting. And that's on the media side of the equation. On the other side, the advertisers who use us to decide how to invest, they absolutely need to make sure they're measuring streaming. So there's a lot of factors here. And the suspension is just the traditional broadcast side. And we continue to produce the ratings that the industry operates on, even with a suspended accreditation. But the streaming players are also really making sure we're measuring streaming properly. And I honestly think any media company is going to have to be streaming first to stay relevant. So they're all going to have to come along to this.

**SAFIAN:** You said in another open letter, "measurement cannot come from self-interested parties who are measuring themselves." And a lot of big tech companies have historically relied on self-reporting: YouTube, Netflix, Amazon, and so on. That doesn't seem to have hurt them. And we do see some traditional media companies, NBC among them, sort of pursuing their own measurement. What do you hear, and what do you feel about sort of independent measurement, which I realize is what your business is based on, versus the success certain platforms have had by just relying on their own numbers?

**KENNY:** Well, first of all, there are a lot of industries where the role of independent measurement helps with pricing, and quite honestly helps with value. And we see that with S&P and Moody's in the debt markets, we see that with Gartner and Forester in the tech markets. Nielsen has a very similar role in the media market. The video players you

mentioned – YouTube, Amazon Prime, even Hulu – all of them showed up at the upfronts with Nielsen measurement this year.

They're all saying, you need that validation. I would also say, it's not just my opinion. A number of big advertisers, the ANA, the Association of National Advertisers in the United States, the World Federation of Advertisers on the global scale, have all come out saying, "We need independent measurement. And quite honestly, we need accredited measurement." And I think that the digital platforms are on board with that. So interesting enough, what you don't want to do is chase last year's model. I think the digital players are showing us the path to independent accredited measurement.

**SAFIAN:** How important are these big tech platforms as your future customers? As you see the trajectory of viewership changing, do you have to change who's most important to Nielsen, to the company?

**KENNY:** That's always been hard to say because we exist as a measure between the buyer and seller of advertising, or quite honestly, the buyer and seller of content. Our most important customer is actually the audience, and that does not change. I do think our business model will change, because I certainly think as some new platforms come in, win the Emmys, win the audience, get scale, they're going to need Nielsen more. So we've certainly got more growth in the parts of media that are growing than we do in the parts of media that are declining, which makes sense.

**SAFIAN:** Yeah. I guess I'm thinking about the kinds of relationships that you have to maintain and grow between different entities that are sometimes competing with each other and sometimes rather frustrated with the impingements that are coming from newer players. Do you have to be, like, agnostic in all of that? How do you do that and maintain the relationships that you need to?

**KENNY:** Well, in the end, I think we have to just keep reminding everybody that the way we best serve them is to tell them the truth. And sometimes people don't like the truth in the short run, but they're all going to be better businesses because they have it. It is the responsibility of being a measurement company versus an analytics company. In measurement, you've got to get to a truth set that everybody can trust.

**SAFIAN:** I mentioned that some media companies have been building their own measurement systems trying to approximate whatever they think your ratings don't at this point. I guess, NBC in particular, just has been vocal about this. That's gotta be tough for relationships. How do you stay friends? And I guess if I could take it one step further, those relationships, is managing that relationship, is that your job as CEO?

**KENNY:** Listen, we have a really good commercial team that tries to put themselves in the shoes of their clients and understands what they need. And also, you are right, there

are tensions because we have buyers and sellers that both use Nielsen, and I have really good relationships with the other CEOs. And what's interesting is in any company, CEOs have this privilege of looking out and this responsibility to see the future, three, four years. And I really like the CEOs of the media companies and learn a lot every time I speak with them.

I do consider our clients friends, but I also consider our real role here is to keep being the truth teller, because that's the only way any of these businesses will actually survive long term. You can't defy gravity.

**SAFIAN:** Yeah. And a lot of our listeners are business leaders and entrepreneurs that are working on platforms and often marketplaces, like yours, that have stakeholders on multiple sides.

**KENNY:** Yup.

**SAFIAN:** And if I'm hearing you, it's like you're balancing, but you have to know what the central relationship is. And for you, that central relationship has to be the audience.

**KENNY:** That's what they're all competing for. Everybody who produces a show, everybody who makes a film, everybody who writes an ad, has a product to sell, they're all trying to reach the part of the audience that's most important to them and know who they reached and how often they reached them. And that's why we're important to that equation.

## [AD BREAK]

**SAFIAN:** Before the break we heard Nielsen CEO David Kenny talk about the critiques his company has received this year, even from its own customers, and how he's tried to both calm the waters and learn from the storms. Now he explains why Nielsen's new products are a challenge to TV traditionalists, and how new kinds of data can lead to more inclusive content and shows.

Plus: the responsibility he says he feels as a CEO, what drove him to file an amicus brief with the U.S. Supreme Court, and why nostalgia is the enemy of optimism.

Your new product, Nielsen One, which you've said will help correct a lot of the current measurement issues and look forward much more, is slated for release not until Q4 2022, a year from now. And I'm curious why it takes that long. For a lot of businesses, that kind of gap would really be existential. And certainly, when the pandemic hit, we saw a lot of business pivot in days and weeks. So what do you say to those externally and internally who are impatient for change, who want it to be faster?

**KENNY:** Trust me, there are people who want it to be slower too, because this will be a big change for them. So part of it is industry change and very active engagement with some agencies, big advertisers, tech platforms, and media companies to make sure it all works. We now have most of the streaming platforms. We've gone from 10 to 17 this year. We continue to cover 85% of the streaming platforms directly, and we need to keep adding to that. We need to really work on comparability. You say it's simple. It should be simple. We should be able to measure time and measure time in the same way across all of that.

There's a lot of data science to get that exactly right, and so we want to validate it. This is a product that will become a currency. So you've got to make sure you've got all the quality controls. We're going to get components out throughout the next several quarters. But want to have it all finished by the end of next year so that people can have the following year to compare the old and the new and then move forward fully to a new model, which is a single metric, whether the signal came over streaming or broadcast.

**SAFIAN:** And so if I'm hearing you, some of this is product, the time it takes, some of it is testing, to make sure that all the product holds together, and some of this is communication and making sure the industry and the other parts of the apparatus that may not be in your direct control, but that they can have the time and understand it so that it can be implemented.

**KENNY:** Yes, exactly. A number of processes will change as we change, it'll become easier to do a media plan because you'll start with an audience and who do you want to reach? How often do you want to reach them? And when you've got a shared cross-media metric across all of it, you can just manage for time. And so it'll really make the advertiser and agency life simpler and I think more accurate. But then as the sellers come, they've got to make sure that they can serve that audience regardless of what platform they're on.

**SAFIAN:** And so part of this is a shift to talking about bodies, like number of people, and shifting more to number of hours or amount of time spent. Or both of those things at the same time?

**KENNY:** Time matters because that's how much engagement you had. And we see people standardizing on time. Just this week, when Netflix launched its earnings, they quoted Nielsen, and then they also said, just as we measure share of time, they're going to start reporting their own numbers by hours spent watching their shows. So time is key, but so is frequency. As an advertiser, who did you reach and how often did you reach them? Otherwise, if you've got all those hours by one family watching 20 hours a day, that's quite different than reaching 10 families two hours a day.

**SAFIAN:** There's another product that you launched, Gracenote's Inclusion Analytics. And I'm not sure I understand this exactly, but the idea is to provide data on how the visible diversity in programming content impacts and interacts with the diversity of the audience that's consuming

that content. Is that right? And the idea here is that either we're more likely to watch people who are like us or will watch anyone, so there should be more variety and choice for content creators?

**KENNY:** So to explain it, let me step back a minute, because Gracenote is the other half of Nielsen. Now so far, this conversation has largely been about audience measurement and ratings. So Gracenote is, at its core, a meta library. So every episode of every professional TV show, almost every film is tagged with a Gracenote ID. And that's used by a lot of folks to set up content. So a lot of cable systems, if you use the remote to decide what to watch tonight, you'll get an image of the show that shows up on your TV, that comes off the Gracenote library.

Or if you're in your car and you're listening to music and the album cover comes up on the screen, that comes off the Gracenote library. So at the basic level, it's the UPC code for content, and it's used to help people find content that they're interested in. It's got all 10 of the top video player distribution companies in the United States. It's got about 20% share in Europe and growing quickly. That metadata is not just an image on the show, but it tells us who's the cast, and it tells us who is behind the camera.

And so we use that data because then you can rank studios, networks, platforms by how inclusive they are. And then you can correlate that with how many people saw it. So what you want to see is that people are building inclusive content seen by the biggest possible audience. And so giving advertisers a sense of how inclusive things are tells them what kind of environments they want to show up in as advertising. And quite honestly, giving this data to studios and ranking them against other studios helps producers, editors, folks green-lighting shows to really have some data about how reflective are we of the American population, and as I said, as Gracenote becomes global, how reflective are we of the global population?

**SAFIAN:** So a lot of media, certainly through social media, there's been discussion of people becoming more siloed. And if I'm hearing you right, the goal of this is not to find more and better, more efficient silos, but to unlock connections across so that audiences can be bigger for one product or one content or one platform?

**KENNY:** Listen, people are going to use the data however they want to. I think first of all, we're just trying to tell people what's going on on the screen and also what's going on with the audience so they can put the two together. But I would say the more forward thinkers are using this to figure out just how broad of an appeal an inclusive cast would have, because I think when you actually see people who may be a different race than you in a television show and come to love that character, it kind of changes the way you feel about people in your everyday life as well. Or you see somebody who has a different sexual orientation than you do, it allows you to kind of see that as more normalized because you've seen it on shows that you're enjoying. I certainly hope that people are

using Gracenote to be broad scaled. I certainly do not think fragmentation is good for a healthy media system. We really want to make the best media future for all people, and that means all people seeing what's great about all other people.

**SAFIAN:** When you came into this job three years ago, I'm sure you knew you'd be facing some transition challenges, that was part of the task for the job. How different has this been from what you expected?

**KENNY:** I mean, having seen transformations before, some of it looks familiar, but I would say when you're a company as successful as Nielsen, what's been key is to have people really embrace a growth mindset. I always say that nostalgia is the enemy of optimism. Either you believe nostalgically that the best years were in the past or you believe optimistically the best years are in the future. And the degree to which I've had to sort of wrestle that was maybe a little bigger than I might have expected, because there is a culture that's grown up with sort of the authority and respect that comes with being the gold standard. We take that very seriously, but it needs to evolve because the way we're consuming is quite different.

The whole system was originally built on a schedule. The rating was what market share did this network have between nine and 10:00 p.m. on Thursday? Everything was around the schedule.

There is no schedule in streaming. There's none. It's an infinite amount of content and an infinite amount of different ways people can watch it. So the way you measure that is different. And having people realize we can fulfill our purpose, but measure it differently, it's a culture change. Cultures are harder to move over Zoom, honestly. We've certainly, I think, continued to make progress, but I underestimated the degree of culture change that we were going to need to undertake.

**SAFIAN:** Yeah. Are there things that you've tried that you're like, "Oh, this worked better than I expected" and maybe other things that you tried that were like, "Oh yeah, no. That used to work and I can't do that anymore"?

**KENNY:** So one of the great advantages of the pandemic has been that everybody's tile on Zoom or Google Meet, was the same size. So it's allowed voices to come in, and we weren't hearing before. A lot of our international colleagues, folks who live time zones away from New York, it was a lot easier for them to come to an hour meeting. It wasn't three days of travel. So we heard more from what was going on in Mumbai and Dubai and Milan than before. Getting all those voices has been great. So I don't want to lose that. And as we've started to have some meetings that are hybrid with some of us together, we still have everybody open their laptop so that everybody is still on the screen so that the people not physically in the room don't somehow have less of a voice.

I think that equalization is something I do not want to lose. It was such a pleasant surprise. And quite honestly, it advanced our innovation because there were a lot of things that were happening around the world that we just weren't all aware of until this pandemic forced us to hear everybody equally.

**SAFIAN:** Is that having everyone have their laptop open and on the screen, is that working?

**KENNY:** I actually did my last board of directors meeting that way because a couple of the directors couldn't come. It absolutely is working. And you really do have a different discussion. People do not feel left out. You're reminded of everybody who's there. It's not like the people who are not in the room have to holler "Don't forget me" because you see them right in front of you. So yeah, I think it's tactical, but I think it's made a big difference.

**SAFIAN:** What's at stake for Nielsen right now?

**KENNY:** What's at stake for Nielsen and the industry is: do we have a truth set that we can all trust so that the industry can continue to scale? And can that truth set really unite legacy broadcast signals with the high growth streaming signals? I think the audience needs that. I think the economy needs that. I think the advertisers need it. So I think there's a lot on our shoulders to get this right. I do not think it will happen if everybody builds their own measurement. I don't think it'll happen with seven different currencies or metrics. That hasn't worked in any other economy. And parts of the world that have tried that in the past in media, it hasn't worked particularly well. So I do feel there's a big responsibility for us and for the entire industry.

I feel that responsibility in an industry I really care about, an industry that I think is so important to society. Having free journalism is so important, I think, to education, and when it's attacked, it kind of pains me. So everything we can do to create a healthy, vibrant, trust-based media, I just think is a key role for us to play here.

**SAFIAN:** As you talk about that responsibility, are there new lessons that you take away from that?

**KENNY:** I do think you've got to come back to a basic belief that everybody has the same 24 hours a day, and everybody has a different amount of money, and people choose where they're going to invest both. It's easy to critique media because you don't like what they say or it's different than what you believe or somehow you don't think it's fact-based.

I think really figuring out how you're going to win the audience over to what you believe and to your content is key. So I just think there's got to be a lot more fact based throughout.

I'm just a big believer the way we're going to serve the industry is back to telling the truth about the audience. Early on in my tenure, there was a movement to add a question about immigration to the U.S. census. That would've, in my opinion, made the U.S. census less representative of all people because it would've suppressed certain people from answering. That matters. The U.S. census is how we produce the rating. All of that analysis I told you about and all the panel is designed to represent the census in every county in America, so I couldn't have certain counties misrepresented because they didn't have all the immigrants in the census.

So it wasn't popular with a bunch of folks, but it's why we wrote an Amicus Brief, it's why we went to the Supreme Court, it's why we took out ads, it's why I wrote an op-ed, in that case, in the New York Times. And we did these things to be sure that people understood what was at stake by anything that would have a bias in the core truth set. More recently, some of the things that are around the topic of voter suppression are a place I felt we needed to speak up too, because voting is another way of knowing the truth. Just like I don't want anybody to be suppressed from a Nielsen rating, I don't want to be suppressed from democracy either.

So I don't think every societal issue is an issue we need to speak up on. I think CEOs need to decide what's important for their companies. As individuals, we should do whatever we want. But as CEOs, I think you got to focus on your companies. But I think when truth is challenged, I, as the CEO of Nielsen, have to speak up about it.

**SAFIAN:** Is there anything that we haven't talked about that I haven't asked you about that I should have?

**KENNY:** Well, this kind of had an American view. Nielsen of course, is a global company, and some of the shifts are happening even more rapidly outside the United States. And quite honestly, one of the great advantages of streaming is, I think, it's going to create a lot more global content. So, you look at a show like *Squid Games* right now, or *Lupin*, a couple of great Netflix shows, one in South Korea, one in France. I think you're going to see this on all these platforms: Apple, Amazon, Hulu. The whole media business is going to become more global, and I think that's super exciting.

I think that's going to open up so many new possibilities for creativity. Back to inclusion, I think it's going to have all of us understand that the world is not American. The world is global. We're going to learn a lot more about humanity around the world as a result of this. So I certainly hope one of the second order effects out of the things we're doing here with Nielsen, one, is to truly create more global metrics and help this content travel around the globe more quickly. It'll help everybody.

**SAFIAN:** Well, David, I really appreciate you spending the time and talking with us. Thank you.

**KENNY:** Thank you.