

ARBITRON INC
Form 10-K
February 24, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-K

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2010
- or
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission file number: 1-1969

Arbitron Inc.

(Exact name of registrant as specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-0278528
(I.R.S. Employer Identification No.)

**9705 Patuxent Woods Drive
Columbia, Maryland 21046**
(Address of principal executive offices) (Zip Code)

(410) 312-8000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

**Title of Each Class Registered
Common Stock, par value \$0.50 per share**

**Name of Each Exchange on Which Registered
New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period than the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's common stock as of June 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter (based upon the closing sale price of Arbitron's common stock as reported by the New York Stock Exchange on that date), held by nonaffiliates, was \$678,332,961.

The number of shares outstanding of the registrant's common stock, par value \$0.50 per share, as of the latest practicable date, February 22, 2011: 27,070,731 shares

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the registrant's definitive proxy statement for the 2011 annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the end of the registrant's fiscal year ended December 31, 2010.

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Arbitron owns or has the rights to various trademarks, trade names or service marks used in its radio audience ratings business and subsidiaries, including the following: the Arbitron name and logo, *Arbitrends*sm, *RetailDirect*[®], *RADAR*[®], *TAPSCAN*tm, *TAPSCAN WORLDWIDE*tm, *LocalMotion*[®], *MaximiSer*[®], *MaximiSer*[®] Plus, *Arbitron PD Advantage*[®], *SmartPlus*[®], *Arbitron Portable People Meter*tm, *PPM*tm, *Arbitron PPM*tm, *Arbitron PPM*[®], *PPM 360*tm, *Marketing Resources Plus*[®], *MRP*sm, *PrintPlus*[®], *MapMAKER Direct*sm, *Media Professional*sm, *Media Professional Plus*sm, *QUALITAP*sm, and *Schedule-It*sm.

The trademarks *Windows*[®], *Mscore*tm and *Media Rating Council*[®] referred to in this Annual Report on Form 10-K are the registered trademarks of others.

FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with our audited consolidated financial statements and the notes thereto in this Annual Report on Form 10-K.

In this report, Arbitron Inc. and its subsidiaries may be referred to as Arbitron, or the Company, or we, or us, or o

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements regarding Arbitron in this document that are not historical in nature, particularly those that utilize terminology such as may, will, should, likely, expects, intends, anticipates, believes, or plans or comparable terminology, are forward-looking statements based on current expectations about future events, which we have derived from information currently available to us. These forward-looking statements involve known and unknown risks and uncertainties that may cause our results to be materially different from results implied by such forward-looking statements. These risks and uncertainties include, in no particular order, whether we will be able to:

- successfully maintain and promote industry usage of our services, a critical mass of broadcaster encoding, and the proper understanding of our audience ratings services and methodology in light of governmental actions, including investigation, regulation, legislation or litigation, customer or industry group activism, or adverse community or public relations efforts;

- successfully obtain and/or maintain Media Rating Council, Inc. (MRC) accreditation for our audience ratings services;

- successfully launch our cross-platform initiatives;

- support our current and future services by designing, recruiting and maintaining research samples that appropriately balance quality, size and operational cost;

- successfully develop, implement and fund initiatives designed to increase sample quality;

- successfully manage costs associated with cell phone household recruitment and targeted in-person recruitment;

- successfully manage the impact on our business of the current economic environment generally, and in the advertising market, in particular, including, without limitation, the insolvency of any of our customers or the impact of such downturn on our customers' ability to fulfill their payment obligations to us;

- compete with companies that may have financial, marketing, sales, technical or other advantages over us;

- effectively respond to rapidly changing technologies by creating proprietary systems to support our research initiatives and by developing new services that meet marketplace demands in a timely manner;

- successfully execute our business strategies, including evaluating and, where appropriate, entering into potential acquisition, joint-venture or other material third-party agreements;

- manage and process the information we collect in compliance with data protection and privacy requirements;

successfully develop and implement technology solutions to encode and/or measure new forms of media content and delivery, and advertising in an increasingly competitive environment; and

renew contracts with key customers.

There are a number of additional important factors that could cause actual events or our actual results to differ materially from those indicated by such forward-looking statements, including, without limitation, the factors set forth in Item 1A. Risk Factors in this report, and other factors noted in Management's Discussion and Analysis of Financial Condition and Results of Operations, particularly those noted under Critical Accounting Policies and Estimates, and elsewhere, and any subsequent periodic or current reports filed by us with the Securities and Exchange Commission.

In addition, any forward-looking statements represent our expectations only as of the day we first filed this annual report with the Securities and Exchange Commission and should not be relied upon as representing our expectations as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations change.

PART I

ITEM 1. BUSINESS

Arbitron Inc., a Delaware corporation, was formerly known as Ceridian Corporation (Ceridian). Ceridian was formed in 1957, though a predecessor began operating in 1912. We commenced our audience research business in 1949. Our principal executive offices are located at 9705 Patuxent Woods Drive, Columbia, Maryland 21046 and our telephone number is (410) 312-8000.

Overview

We are a leading media and marketing information services firm primarily serving radio, advertising agencies, cable and broadcast television, advertisers, retailers, out-of-home media, online media and print media. We currently provide four main services:

measuring and estimating radio audiences in local markets in the United States;

measuring and estimating radio audiences of network radio programs and commercials;

providing software used for accessing and analyzing our media audience and marketing information data; and

providing consumer, shopping, and media usage information services.

We refer to our local and network radio audience ratings services, collectively, as our syndicated services. We provide radio audience estimates and related services in the United States to radio broadcasters, advertising agencies, and advertisers. We estimate the size and demographics of the audiences of radio broadcasters in local markets in the United States and report these estimates and certain related data as ratings to our customers. Our customers use the information we provide for valuing and executing advertising transactions. Broadcasters use our data to price and sell advertising time, and advertising agencies and advertisers use our data in purchasing advertising time. Our Radio's All Dimension Audience Research (RADAR) service estimates national radio audiences and the size and composition of audiences of network radio programs and commercials.

We also provide software applications that allow our customers to access our databases and enable our customers to more effectively analyze and understand that information for sales, management, and programming purposes. Some of our software applications also allow our customers to access data owned by third parties, provided the customers have a separate license to use such third-party data.

In addition to our core radio ratings services, we provide qualitative measures of consumer demographics, retail behavior, and media consumption in local markets throughout the United States. We provide non-syndicated research services to companies that are seeking to demonstrate the value of their advertising propositions. We also market our quantitative and qualitative audience and consumer information to customers outside of our traditional base, such as the advertising sales organizations of local cable television companies, national cable and broadcast television networks, and out-of-home media sales organizations.

We have developed our electronic Arbitron Portable People Meter™ (PPM) service of audience ratings for commercialization in the United States and have licensed our PPM technology to a number of international media information services companies to use in their media audience ratings services in specific countries outside of the

United States. See Item 1. Business Portable People Meter Service below.

Our quantitative radio audience ratings services have historically accounted for a substantial majority of our revenue. The radio audience ratings service and related software represented 88 percent, 88 percent and 87 percent of our total revenue in 2010, 2009, and 2008, respectively. Our revenue from continuing operations from domestic sources and international sources was approximately 99 percent and one percent for the year ended December 31, 2010, 98 percent and two percent of our total revenue for the year ended December 31, 2009, and 99 percent and one percent for the year ended December 31, 2008, respectively. Additional information regarding revenues by service and by geographical area is provided in Note 19 in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Corporate Strategy

Our leading strategic objectives include further strengthening our radio audience ratings business, maintaining a competitive position, and expanding our information services to a broader range of media, including broadcast television, cable, out-of-home media, satellite radio and television, Internet broadcasts, mobile, place-based and other media. We believe there is an opportunity to leverage the unique capabilities of the PPM technology to provide advertisers with stronger return on investment tools that can follow today's mobile consumers' media consumption across multiple platforms. We refer to this strategy as our cross-platform initiative. Key elements of our strategy to pursue these objectives include:

Enhancing the value of our services for our customers. We intend to continue to invest in research and quality improvements while increasing utility in our radio audience ratings services. We plan to facilitate this by engaging with our customers, listening to and understanding their needs and requirements, and providing solutions that are competitive on price, quality, and value.

Building on our experience in the radio audience ratings industry and our PPM technology to expand into new services. We have launched our cross-platform initiative to explore opportunities to deploy our PPM technology to develop new information services for other types of media and/or cross-platform media.

Diversifying revenues. We believe that growth opportunities exist in adjacent markets and intend to work to expand our customer base by developing and marketing new information services designed to assist customers in implementing marketing strategies.

Developing and commercializing the next-generation data collection and processing techniques. Our businesses require sophisticated data collection and processing systems, software and other technology. In light of the dynamic nature of the media industry, including in the digital space, we will need to continue to evolve our data collection, processing and software systems.

Deploying resources. We compete against companies that are larger and have greater capital and other resources. We will explore and evaluate strategic opportunities to effectively deploy our resources and better enable us to compete with such companies.

Expanding our international PPM business. We continue to explore opportunities to license our PPM technology into selected international regions, such as Europe and the Asia/Pacific regions. We believe there is an international demand from global advertisers and media for quality audience information.

Industry Background and Markets

Since 1965, we have delivered to the radio industry timely and actionable radio audience estimates and other information based on information collected from a representative sample of radio listeners. The presence of independent audience estimates in the radio industry has helped radio broadcasters to price and sell advertising time, and advertising agencies and advertisers to purchase advertising time. The Arbitron ratings have also become a valuable tool for use in radio programming, distribution, and scheduling decisions.

In recent years, multiple sources of media have competed for consumer's attention. As audiences have become more fragmented, advertisers have increasingly sought to tailor their advertising strategies to target specific demographic groups through specific media and across multiple types of media. The audience information needs of radio

broadcasters, advertising agencies, and advertisers have correspondingly become more complex. Increased competition, including from nontraditional media, such as the Internet, and more complex informational requirements have heightened the desire of radio broadcasters for more frequent and timely data delivery, improved information management systems, larger sample sizes, and more sophisticated means to analyze this information. In addition, there is a demand for high-quality radio and television audience information internationally from the increasing number of commercial, noncommercial, and public broadcasters in other countries.

As the importance of reaching specific audiences with targeted marketing strategies increases, broadcasters, publishers, advertising agencies, and advertisers increasingly require that information regarding exposure to content in advertising is provided on a more granular basis and is coupled with more detailed information regarding lifestyles and purchasing behavior of consumers. We believe the desire to integrate purchase data information with

advertising exposure information and our ability to estimate a single consumer's cross-platform advertising exposure may create future opportunities for innovative approaches to satisfy these information demands.

Portable People Meter Technology

Since 1992, we have pursued a strategy of evolving our audience ratings service in the largest markets from diaries, which are completed by hand and returned by mail from survey participants, to portable electronic ratings devices, which passively collect information regarding exposure of survey participants (whom we refer to as "panelists") to encoded media without additional manual effort by the panelists beyond carrying the device. We have pursued this strategy in an effort to improve quality by taking advantage of new technological capabilities and to address the vast proliferation of media delivery vehicles, both inside and outside of the home. As of the end of 2010, we have commercialized the PPM ratings service in 48 of the largest United States local markets.

Our proprietary PPM technology is capable of collecting data regarding panelists' exposure to encoded media for cross-platform programming and advertising purposes including, among others, broadcast and satellite radio, broadcast, cable and satellite television, Internet, mobile, and retail in-store audio and video broadcasts. The PPM device automatically detects proprietary codes that are inaudible to the human ear, which broadcasters insert in the audio portion of their programming using technology and encoders we generally license to the broadcasters at no cost. We refer to the insertion of our proprietary codes into the audio portion of broadcasters' programming as "encoding" the broadcast. These proprietary codes identify the encoded media to which a panelist is exposed throughout the day and when the panelist is exposed to it without the panelist having to engage in any recall-based manual recording activities. The PPM device automatically sends the collected codes to Arbitron for tabulation and use in creating our audience estimates.

We believe there are many advantages to our PPM technology. It is simple and easy for panelists to use. It requires no button pushing, recall, or other effort by the panelist to identify and record media to which they are exposed. The PPM technology can passively detect exposure to encoded media by identifying each source using our unique identification codes. We believe the PPM service can help support the media industry's increased focus on providing accountability for the investments made by advertisers. It helps to shorten the time period between when programming runs and when audience estimates are reported, and can be utilized to provide cross-platform ratings from the same panelist. The PPM technology also produces high-quality compliance data, which we believe is an additional advantage that makes the PPM data more accountable to advertisers than various recall-based data collection methods, such as diaries. The PPM technology can produce more granular data than the recall-based data collection methods, such as diaries, including minute by minute exposure data, which we believe can be of particular value to media programmers. Because our PPM ratings service panels have larger weekly and monthly samples than our Diary service, the audience estimates exhibit more stable listening trends between survey reports. Also, our PPM technology can be leveraged to measure audiences of out-of-home media, print, new digital platforms, mobile, time-shifted broadcasts (such as media recorded for later consumption using a DVR or similar technology), and broadcasts in retail, sports, music, and other venues.

On June 21, 2010, we announced our new generation of audience ratings technology, the PPM 360™ device, which uses wireless cellular technology to transmit media exposure data without the need for panelists to dock the PPM device in a base station. We intend to gradually introduce this technology into our PPM panels.

The Audience Reaction service offered by Media Monitors, LLC ("Media Monitors"), an affiliate of Clear Channel Communications, Inc. ("Clear Channel"), allows Media Monitors to combine our PPM data with its airplay information to provide a service designed to help radio programmers who also license our data hear what audio was broadcast while observing changes in the audience estimates. Media Monitors uses minute-level data from our PPM ratings service for the Mscore™ index, which estimates how much a particular song aids in radio listenership retention. We

receive a royalty from Media Monitors in connection with these services.

Radio Audience Ratings Services

Challenges

We face a number of challenges in our radio audience ratings services. Two such challenges are achieving and/or maintaining optimal response rates and sample proportionality. Response rates are one measure of our effectiveness in obtaining consent from persons to participate in our surveys and panels. Overall response rates for all survey research have generally declined over the past several decades, and Arbitron has been adversely impacted by this industry trend. Another measure often employed by users of our data to assess quality in our ratings is sample proportionality, which refers to how well the distribution of the sample for any individual survey compares to the distribution of the population in the local market. We strive to achieve representative samples. It has become increasingly difficult and more costly for us to obtain consent from persons to participate in our surveys and panels. We strive to achieve a level of both sample proportionality and response rate sufficient to maintain confidence in our ratings, the acceptance by the industry, and support accreditation by the Media Rating Council, Inc. (the "MRC").

We have worked to address this decline through several initiatives, including various incentive programs. If response rates continue to decline or the costs of recruitment initiatives significantly increase, our radio audience ratings business could be adversely affected. We believe that additional expenditures will be required in the future to research and test new measures associated with improving response rates and sample proportionality.

In an effort to address these challenges, we established internal benchmarks that we strive to achieve for sample proportionality and have instituted a number of methodological enhancements. It is more expensive for us to recruit cell phone households and conduct in-person recruiting. Because we intend to continue to increase the number of cell phone households in our samples and conduct in-person recruiting, we expect that the expenditures required to support these methods will be material. We currently anticipate that the aggregate cost of cell phone household recruitment for the PPM and Diary services and targeted in-person recruitment for the PPM service will be approximately \$14 million in 2011.

Portable People Meter Ratings Service

Collection of Listener Data Through PPM Methodology. Through our PPM ratings service, we gather data regarding exposure to encoded audio material using our PPM devices. We randomly recruit a sample panel of households to participate in the service (all persons aged six and older in the household). We ask the household members to participate in the panel for a period of up to two years, carrying their devices throughout their day. Panelists earn points based on their compliance with the task of carrying the device. Longer carry time results in greater points, which are the basis for monthly cash incentives we pay to our panelists. Demographic subgroups that our experience indicates may be less likely to comply with the survey task of carrying the device, such as younger adults, are offered higher premiums based on their compliance with the survey task. We consider the amount of the cash incentive that we pay to the PPM panelists to be proprietary information.

The PPM device collects the codes and adds a date/time stamp to each listening occasion and the information is transmitted to Arbitron for processing, tabulation, and analysis in producing our listening estimates. We issue a ratings report in each measured market for 13 unique four-week ratings periods per year. We also issue interim weekly reports to station subscribers for programming information. Users access our ratings estimates through an Internet-based software system that we provide.

Commercialization. In 2010, we completed our previously announced plan to commercialize progressively our PPM ratings service in 48 of the largest United States radio markets. We may choose to commercialize our PPM ratings service in additional markets in the future. We refer to each of the 48 United States radio markets in which we have commercialized our PPM service as a PPM Market and collectively, as the PPM Markets.

During 2007 and 2008 combined, we commercialized the PPM ratings service in 14 local markets. During 2009, we commercialized the PPM ratings service in 19 local markets. During 2010, we commercialized the PPM ratings service in 15 additional local markets.

Media Rating Council Accreditation

The MRC is a voluntary, nonprofit organization, comprised of broadcasters, advertisers, advertising agencies, and other users of media research that reviews and accredits audience ratings services. The MRC accreditation process is voluntary and there is no requirement, legal or otherwise, that rating services seek accreditation or submit to an MRC audit. MRC accreditation is not a prerequisite to commercialization of any of our audience ratings services.

Although accreditation is not required, we are pursuing MRC accreditation for several of our syndicated audience ratings services. We currently intend to continue to use commercially reasonable efforts in good faith to pursue MRC accreditation of our PPM ratings service in each PPM Market where we have commercialized or may commercialize the service in the future. We believe that we have complied with and intend to continue to comply with the MRC Voluntary Code of Conduct (VCOC) in each PPM Market prior to commercializing our PPM ratings service in that market. The VCOC requires, at a minimum, that we complete an MRC audit of the local market PPM service, share the results of that audit with the MRC PPM audit subcommittee, and disclose pre-currency impact data prior to commercializing the PPM ratings service in that local market. In accordance with the VCOC, we did complete an MRC audit and disclose pre-currency data for each PPM Market prior to commercialization of the service in that market. For more information regarding MRC accreditation, see Item 1. Business Governmental Regulation.

As of the date we filed this Annual Report on Form 10-K with the SEC, the quarter-hour-based radio ratings data produced by the PPM ratings service in three local markets, Houston-Galveston, Riverside-San Bernardino, and Minneapolis-St. Paul, are accredited by the MRC. We have applied for accreditation in each local market where we have commercialized the PPM ratings service. As we have disclosed, the MRC has previously denied accreditation in certain of the markets and we continue to seek accreditation in all unaccredited PPM Markets.

2010 PPM Ratings Service Quality Improvement Initiatives. In operating our PPM ratings service, we experienced and expect to continue to experience challenges similar to those we face in our Diary-based service, including several of the challenges related to sample proportionality and response rates described above in Challenges. We expect to continue to implement additional measures to address these challenges.

Since launching our PPM ratings service, we have implemented a number of initiatives and announced additional forthcoming initiatives. We believe these steps reflect our commitment to ongoing improvement and our responsiveness to feedback from several governmental and customer entities. We believe these commitments and enhancements, which we refer to, collectively, as our continuous improvement initiatives, are consistent with our ongoing efforts to obtain and maintain MRC accreditation and to continuously improve our radio ratings services. We expect that our continuous improvement initiatives will likely require expenditures that may be material in the aggregate.

In addition to our previously announced continuous improvement initiatives, we announced several new initiatives during 2010. In connection with a February 2010 proposal to the United States House of Representatives Committee on Oversight and Government Reform, we proposed a number of initiatives, which are designed to enhance our PPM methodology and to help our efforts to achieve MRC accreditation of the data produced by our PPM ratings service in each PPM Market. One of the proposals was to introduce a multimodal recruitment approach that is intended to increase the participation rate of key segments of our sample that are more likely to be comprised of youth and minorities.

On April 22, 2010, we announced that we would add targeted in-person recruitment to our multi-faceted PPM panelist recruitment approach that had previously included mailings and phone calls. In-person recruitment can benefit all broadcasters as it targets population segments that are more likely to be reachable only by cell phone including youths and minorities. We also announced that we will use address-based sampling to further improve geographic

proportionality. We began targeted in-person recruiting in July 2010 in portions of the New York, Dallas, and Miami high density Black and Hispanic areas as defined by us. By the end of 2010, we had deployed in-person recruiting in the high density Black and Hispanic areas in approximately half of all PPM Markets. We plan to implement address-based sampling and expand targeted in-person recruiting across all geographies of all PPM Markets by the end of 2011.

We have also undertaken several initiatives focused on minority broadcasters, including: (i) increasing minority broadcaster representation on our Radio Advisory Council; and (ii) increasing our collaborative activities with radio broadcasters in an effort to expand minority radio advocacy with advertisers.

Throughout 2010, we invested in other PPM ratings service quality enhancements. We implemented an eight percent sample size increase in PPM Markets and plan to implement an additional two percent sample size increase by mid-year 2011. The representation of persons residing in cell phone households were increased to approximately 25% on average across all PPM Markets, other than Houston-Galveston. In 2010, we introduced the reporting of country of origin information for Hispanic panelists in the PPM ratings service, and we tested, and in some cases implemented, new techniques and contact methods to improve panel compliance.

We continue to operate in a highly challenging business environment. Our future performance will be impacted by our ability to address a variety of challenges and opportunities in the markets and industries we serve, including our ability to continue to maintain and improve the quality of our PPM ratings service, and manage increased costs for data collection, arising, among other ways, from increased cell phone household recruiting and targeted in-person recruiting. We maintain an ongoing commitment to continuous improvement and obtaining and/or maintaining MRC accreditation in all of our PPM Markets, and strive to develop and implement effective and efficient technological solutions to measure cross-platform media and advertising.

Diary Service

Collection of Listener Data Through Diary Methodology. We use listener diaries to gather radio listening data from a random sample group of persons aged 12 and over in households in the 242 United States local markets in which we currently provide Diary-based radio ratings. Participants in Arbitron surveys are currently selected at random, and we contact them by telephone to solicit their agreement to participate in the survey. When participants in our Diary survey (whom we refer to as diarykeepers) agree to take part in a survey, we mail them a small, pocket-sized diary and ask them to record their listening in the diary over the course of a seven-day period. We ask diarykeepers to report in their diary the station(s) to which they listened, when they listened and where they listened, such as home, car, work, or other place. Although survey periods are 12 weeks long, no participant keeps a diary for more than seven days. Each diarykeeper receives a diary, instructions for filling it out and a small cash incentive. The incentive varies according to markets and demographic group and may include certain incentives designed to encourage response from demographic groups less likely to return diaries. In addition to the cash incentives included with the diaries, further cash incentives are used at other points in the survey process along with other communications such as follow-up letters and phone calls to maximize response rates. Diarykeepers mail the diaries to our operations center, where we conduct a series of quality control checks, enter the information into our database, and use it to produce periodic audience listening estimates. In 2010, we received and processed more than 850,000 diaries to produce our audience listening estimates. We measure each of our local markets at least twice each year, and larger markets four times per year.

2010 Diary Service Quality Improvement Initiatives. Throughout 2010, we invested in Diary service quality enhancements. As part of our continuous improvement program, we intend to continue to invest in Diary service quality enhancements going forward. Set forth below is a description of several of the significant Diary service quality initiatives we implemented in 2010, including cell phone sampling. As the needs of our customers and the service continue to evolve, we may choose to focus on different areas for improvement during 2011 and beyond.

In recent years, our ability to deliver sample proportionality that approximates the demographic composition of younger populations has declined, caused in part by the trend among some households to disconnect their landline telephones, effectively removing these households from the sample frame we had used to solicit participation in our surveys. To address this issue, we first introduced cell phone sampling in Spring 2009 in approximately half of our

Diary metropolitan areas and then added cell phone sampling in all Arbitron radio metropolitan areas in the 50 United States in Fall 2009. The cell phone sample target represented approximately 10% of the total sample target across the aggregate of Diary market from Spring 2009 to Winter 2010. Starting with the Spring 2010 survey, we expanded our cell phone household sampling to include households that rarely or never answer their landlines. As a result of this expanded definition, we expect that the cell phone sample target

(representing an average of 17% of the sample target from Spring 2010 through Fall 2010) will be comprised of approximately 15% from cell-phone-only households and an additional two percent from homes that rarely or never answer their landlines.

Other Syndicated Services

RADAR. Our RADAR service provides an estimate of national radio audiences and the audience size of network radio programs and commercials. We provide the audience estimates for a wide variety of demographics and dayparts for total radio listening and for more than 50 separate radio networks.

We provide network audience estimates by merging the radio listening of selected survey respondents and panelists with the reported times that network programs and commercials are aired on each affiliated station. We utilize the data produced by our Diary and PPM ratings services in producing these network audience estimates. We deliver the RADAR estimates through our RADAR Software Suite software application, which includes a number of tools for sophisticated analysis of network audiences. We provide this service to radio networks, advertising agencies and network radio advertisers on a quarterly basis.

For information regarding MRC accreditation of our RADAR service, see Item 1. Business Media Rating Council Accreditation below.

Nationwide. Nationwide is our national radio audience service that provides information on the size and demographic composition of radio audiences for commercial and public radio networks. Nationwide estimates are based on a sample size of more than 400,000 Arbitron respondents and panelists for each report, covering seven days of radio listening, and are conducted over a 12-week period.

Nationwide gives clients the ability to monitor trends in national radio network. It also gives customers a resource that helps to determine how various affiliates perform in different local markets.

For information regarding MRC accreditation of our Nationwide service, see Item 1. Business Media Rating Council Accreditation below.

Data and Software Services

We provide our listening estimates in a number of different reports that we publish and license to our customers. The cornerstone of our radio audience ratings services is the Radio Market Report, which is available in all local markets for which we currently provide radio ratings. The estimates contained in our Diary-based Radio Market Report service are accredited by and subject to the review of the MRC. The PPM-based Radio Market Report is currently accredited in three markets and the service is subject to review by the MRC. The Radio Market Report provides audience estimates for those stations in a market that meet our minimum reporting standards. The estimates cover a wide variety of demographics and dayparts, which are the time periods for which we report audience estimates. Each Radio Market Report contains estimates to help radio stations, advertising agencies and advertisers understand who is listening to the radio, which stations they are listening to, and where and when they are listening. Our proprietary data regarding radio audience size and demographics are generally provided to customers through multiyear license agreements.

Software Applications. In addition to our data, we license software applications that provide our customers access to the audience estimates in our databases. These applications include Maximize[®], TAPSCAN[™] and PD Advantage[®], which are services for radio stations, and Media Professionalsm and SmartPlus[®], which are services for advertising agencies and advertisers. The PPM Analysis Tool is used by both radio stations and advertising agencies.

Broadcasters use these software applications to more effectively analyze and understand ratings information for sales, management and programming purposes. Advertisers and agencies use these software applications to help them plan and buy radio advertising. Some of our software applications also allow our customers to access data owned by third parties, provided the customers have a separate license to use such third-party data.

The MaximiSer service includes a Windows-based application to access a market's Arbitron radio Diary database on a client's personal computer. Radio stations use the MaximiSer service to produce information about their stations and programming not otherwise available in Arbitron's published Radio Market Reports.

The TAPSCAN software is one of the advertising industry's leading radio analysis applications. It can help create illustrative tables, charts and graphs that make complex information more useful to potential advertisers. The software uses respondent-level data, and it includes cost-efficiency analyses, hour-by-hour estimates and trending, and automatic scheduling and goal tracking. The TAPSCAN Web service also allows radio stations, advertisers and advertising agencies to access our National Regional Database to analyze ratings information for customer-defined groupings of stations across multiple markets and custom groupings of counties. Our TAPSCAN Sales Management service provides software systems that help radio stations manage their advertising sales process and automate the daily tasks in a sales department. The TAPSCAN Sales Management applications combine a customer relationship management system with scheduling and research applications and inventory/pricing management tools. Another TAPSCAN service, QUALITAP, is also made available to television and cable outlets in the United States under a licensing arrangement with Marketron International, Inc.

The PPM Analysis Tool enables subscribers of PPM respondent level data to analyze PPM data at the most discrete level of granularity available to customers. Researchers and programming consultants use this tool to gain valuable insights through a variety of reports that present detailed analysis of PPM panelist behavior.

Our PD Advantage service offers radio station program directors the ability to create a variety of reports that help analyze the market, the audience, and their competition.

Our SmartPlus and MediaProfessional services provide media buying software systems to local and regional advertising agencies for broadcast and print media. The Media Professional and SmartPlus services are designed to help advertising agencies and advertisers plan and buy radio advertising time quickly and easily. These services integrate radio planning and buying into one comprehensive research and media-buying tool. They allow advertising agencies and advertisers to uncover key areas critical to the buying process, including determining the most effective media target, understanding market trends and identifying potential new business. In addition to the licensing above, we offer third-party software providers and customers licenses to use proprietary software that will enable enhanced access to our respondent-level data.

Local Market Consumer Information Services

In our radio ratings service, we provide primarily quantitative data, such as how many people are listening. We also provide qualitative data, such as consumer and media usage information to radio stations, cable companies, television stations, out-of-home media, magazine and newspaper publishers, advertising agencies and advertisers. The qualitative data on listeners, viewers and readers provide more detailed socioeconomic information and information on what survey participants buy, where they shop and what forms of media they use. We provide these measures of consumer demographics, retail behavior, and media usage in local markets throughout the United States.

We provide qualitative services tailored to fit a customer's specific market size and marketing requirements, such as:

- the Scarborough Report, which is offered in larger markets, and the Scarborough Mid-Tier Local Market Consumer Study, which is offered in medium markets;

- the RetailDirect Service, which is offered in medium markets;

- the Qualitative Diary Service/LocalMotion Service, which is offered in smaller markets; and

Non-Syndicated Research Services.

Each service profiles a market, the consumers and the media choices in terms of key characteristics. These services cover major retail and media usage categories. We also provide training and support services that help our customers understand and use the local market consumer information that we provide.

Scarborough Report. The MRC-accredited Scarborough service is provided through a joint venture between Arbitron and a subsidiary of The Nielsen Company (Nielsen) and is governed by a partnership agreement, which was automatically renewed until December 2012. Although our equity interest in the Scarborough Research joint venture is 49.5 percent, partnership voting rights and earnings are divided equally between Arbitron and Nielsen. The Scarborough service provides detailed information about media usage, retail and shopping habits, demographics and lifestyles in 77 large United States local markets, utilizing a sample of consumers in the relevant markets.

Scarborough data feature more than 2,000 media, retail and lifestyle characteristics, which can help radio stations, television stations, cable companies, advertising agencies and advertisers, newspaper and magazine publishers and out-of-home media companies develop an in-depth profile of their consumers. Examples of Scarborough categories include retail shopping (e.g., major stores shopped or purchases during the past 30 days), auto purchases (e.g., plan to buy new auto or truck), leisure activities (e.g., attended sporting events) and personal activities (e.g., golfing). Media information includes broadcast and cable television viewing, radio listenership, newspaper readership and integrated online audiences. This information is provided twice each year to newspapers, radio and television broadcasters, cable companies, out-of-home media, advertising agencies and advertisers in the form of th