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MAGONOMICS
2012

The science of magazine advertising effectiveness

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Content

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Background

The PPA has a rich historic database of research which illustrates the highly engaging nature of the printed magazine medium and the consequent level of advertising effectiveness the medium offers.

Despite the huge changes in media choices during the last decade, we believe that the close bond consumers enjoy with the magazine remains largely unchanged and the medium continues to provide an excellent channel for anyone wishing to drive consumers closer to their brands.

Return on Investment is an area that was last delved into in great depth in 2004. At that point in time broadband internet access was at a low level of penetration and the concept of the modern smartphone was a mere twinkle in the eye of Steve Jobs.

So in 2012, the PPA decided that it was time to revisit magazines role and effectiveness in the media-mix, and update our evidence in this area with robust research which includes the full spectrum of the modern media mix.

We laid the foundation for this work in 2011 with the PPA's Magnify study.

Magnify used GfK's Starchmetrix methodology to understand how readers interact with both advertising and editorial content and provided ample evidence of the efficacy with which magazines take readers through the consumer journey.

This year we commissioned Mindshare's business planning unit and Marketing Sciences Agency Ohal to explore and quantify the contribution magazines make to the media mix.

Our work with Mindshare focused on three core areas:

- understanding how magazines impact Brand Metrics
- evaluating how to best measure magazines within econometric models, and the subsequent ROI for the medium in comparison to other media
- establishing what impact differing channel investment has on ROI

MINDSHARE

ohal: defining analytics

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The Consumer Journey

Understanding magazine's role relative to other media in driving consumers through the consumer journey is a central consideration in many of the PPA's research projects.

Although there are many variations to this model, the one the PPA most frequently utilises assumes that there are six basic phases.

It is assumed that with most mass market brands, consumers will start off with a basic level of awareness prior to being exposed to a new media campaign.

The consumer is then actively targeted by campaigns to increase levels of awareness of the brand. Broadcast and online media, and to a lesser extend daily newspapers are excellent drivers of basic awareness due to their ability to deliver large audiences in a short space of time.

Awareness itself, however, is not sufficient to stimulate product purchase, as purchase intent is only triggered once consumers move beyond basic awareness and into the secondary phases of the journey.

Increased awareness will lead to consumers conducting further research to become more familiar with the products which have been brought to their attention.

As consumers become more aware of a particular brand, they are also likely to start exploring other brands available within the same competitive set. They form opinions about the relevance of each of these and start to shortlist those which meet with their expectations for further consideration.

The final step is purchase. There are a number of studies which show that magazines and other targeted media excel at driving consumers through these latter phases of the consumer journey.

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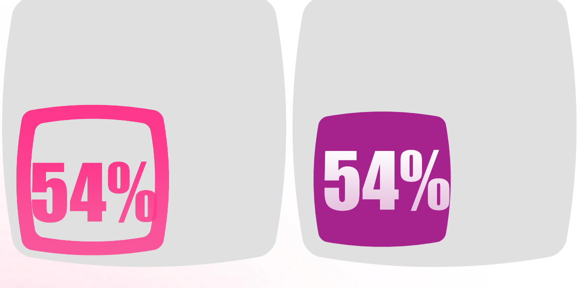
How magazines drive consumer behaviour

In the UK last year we backed-up magazines' consumer journey credential PPA's Magnify. This study looked at how readers consume both *editorial* and *advertising* content. This large scale study conducted by GfK interviewed more than 18,000 readers of 96 different magazine brands.

The study confirmed that magazines offer a highly hospitable advertising environment, where advertising commands a similar level of engagement with readers as editorial content.

On average respondents were able to recall 54% of adverts contained in any edition, the exact same level of as editorial.

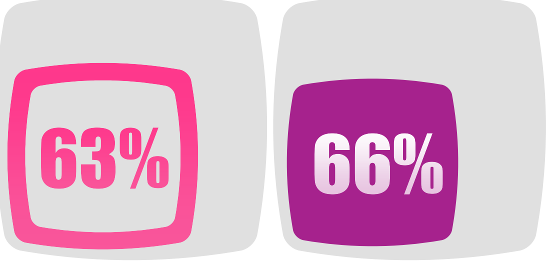
NOTED SCORES



ADVERTISING EDITORIAL

The study also tracked what readers did as a result of exposure to advertising and editorial content across a broad range of potential actions.

NET ACTION SCORES



ADVERTISING EDITORIAL

When these individual actions are combined into a single score; a Net Action Score, the study revealed that readers are almost as likely to act upon advertising as they were on editorial. 63% of those who a recalled a specific ad stated that they took further action as a result of that exposure, much in line with the 66% who were spurred into action by editorial.

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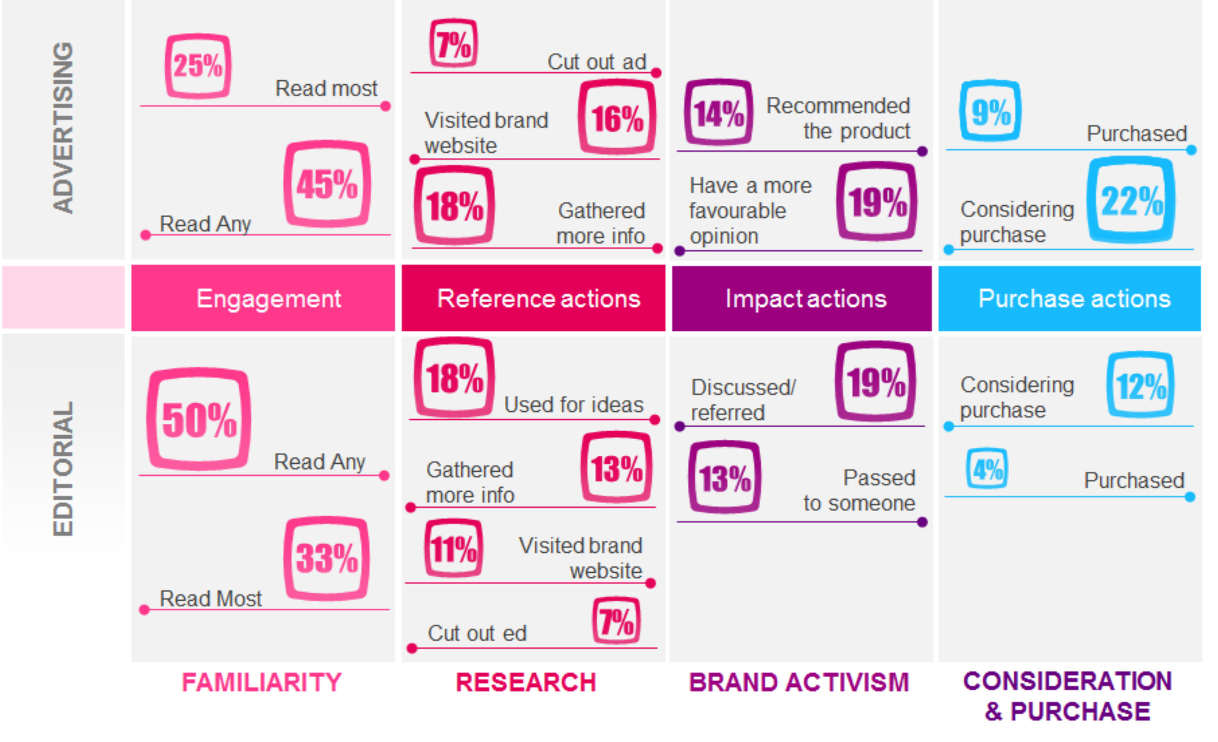
Magnify also tracked the particular actions respondents took as a result of that exposure and plotted these against the basic phases of the consumer journey.



Engagement:
Engagement levels for advertising and editorial content are very similar. We often think of Ed: and Ad: as different things but readers don't.

To them, a magazine is a seamless blend of relevant copy.

Each page gets evaluated on its own merit and each has the chance to be influential.

As a result both editorial and advertising content enjoy high levels of engagement clearly showing that ad avoidance is not a problem for magazines.

Reference action:
Reference actions (other further research) are those which relate to the consumer taking steps to expand their knowledge about a brand.

Magnify showed that there is very little difference in how a reader may engage with editorial and advertising.

Both advertising and editorial drive high numbers of respondents to visit brand websites and ultimately readers were equally likely to retain advertising as they are editorial for future reference.

Impact actions:
Impact actions are closely linked to the opinion forming and shortlisting process and could refer to any action which influences how the brand is perceived, either by the respondents themselves or through word of mouth.

Again there is a great level of consistency between the two types of content on offer.

Purchase actions:
It's only at the end where scores begin to differ.

Advertising is far more likely to drive consideration with 22% of those exposed to advertising considering the product. It is also a direct influence on purchase in 9% of cases.

This may come as a surprise to many who would expect editorial to be the more potent drive of readers' behaviour but it needs to be mentioned that not all editorial content will directly relate to a product or service, hence the lower scores.

So Magnify conclusively highlights magazines' ability to drive readers through every stage of the consumer journey, and deliver impressive results when it comes to driving consideration and purchase.

The making of an ROI study

Mindshare and Ohal have a huge database of actual campaigns.

We examined more than 77 campaigns from their key clients in our meta-analysis.

In addition we also had access to WPP's BRANDZ study which allowed us to flesh out our investigation with three particular focus points:

- Exploring magazines' ability to drive brand metrics
- An examination of how to accurately measure and report magazine ROI
- Establishing what impact differing media investment has on ROI

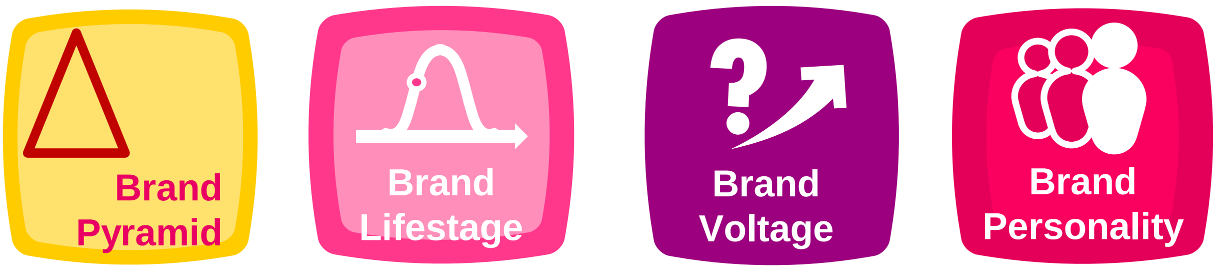
When we talk about ROI we need to be quite clear what we mean.

We usually talk about this in terms of SOFT and HARD metrics.

SOFT metrics are traditionally those associated with brand equity such as brand consideration, brand image and intention to purchase - for instance Nike's focus on being associated with the word "COOL".

HARD metrics are things like sales, web visits, profitability, etc. which are key business metrics.

Magazines & Brand Metrics



In the first instance we used WPP's BrandZ survey, conducted by Millward Brown.

This is an annual, international study that is conducted to a consistent template in 31 countries.

A typical BrandZ study interviews 400 category consumers about their relationship with the brands in the category and evaluates brands' across several dimensions:

- The overall strength of the brand and relationship consumers have with a brand represented by the **Brand Pyramid**.
- The **Brand Lifestage Typology**, which clusters brands against their competitors based upon their pyramid and life-stage.
- Related to this is **Brand Voltage**, an estimate of a brand's growth potential – based on where it is now in its life-stage and its scope for share growth.
- And finally, **Brand Personality** – what associations do consumers have with a brand?

The Brand Pyramid is the metric which the PPA utilised to further our understanding of how magazines drive consumer behaviour.

The Brand Pyramid: An example

Let’s take a look at Ford’s 2012 Brand Pyramid to explain the different measures used in its constuct:

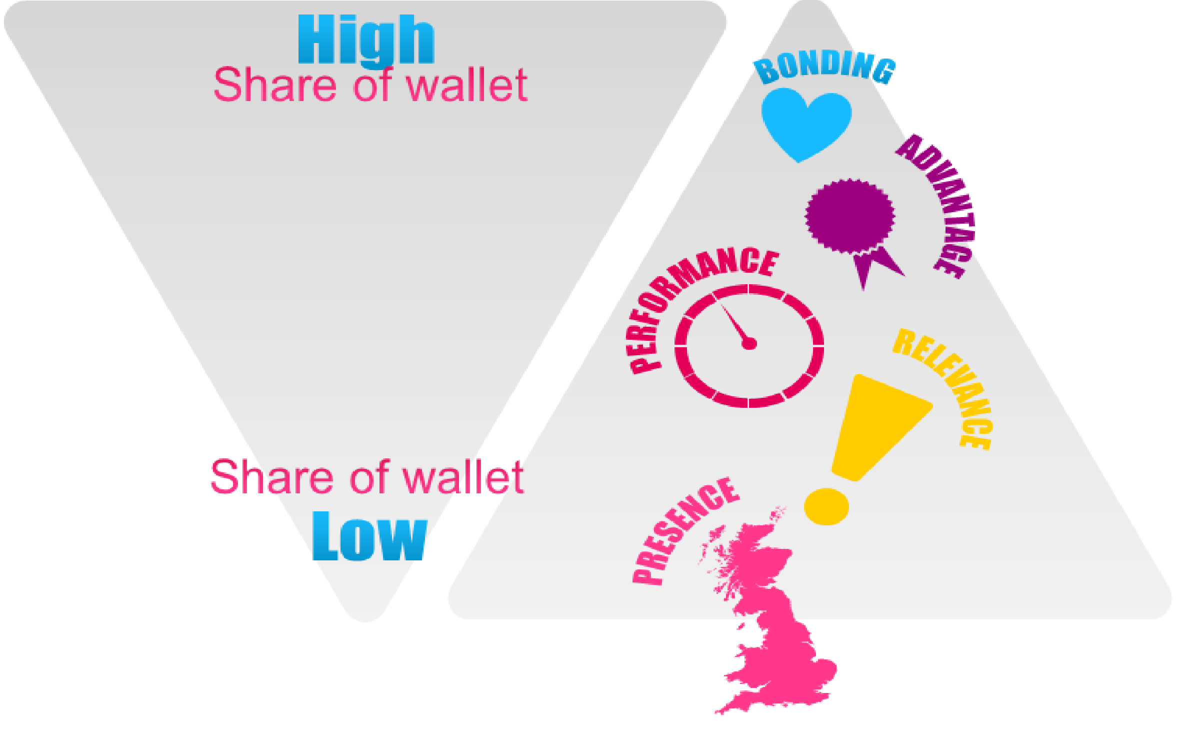
- the ‘fatness’ of its brand pyramid at the lowest tier, **PRESENCE** reflects the strength of its brand in the UK. Everyone knows something about them. 88 out of a maximum of 100 is the signature of a brand with a really strong heritage in the UK.
- the pyramid climbs up through **RELEVANCE** (whether the brand suits consumers’ needs)
- to **PERFORMANCE** (does it meet consumers’ performance expectations for a brand in this category)
- to **ADVANTAGE** (whether it is perceived as better than other brands, or top of mind) and
- finally to **BONDING** (is it uniquely favoured or considered the best at what it does, for that person).

The pyramid helps determine a brands’ Typology.

In Ford’s case it is a **DEFENDER** – typical of large brands in categories where share growth is difficult to achieve.

So while PRESENCE is strong, Ford struggles to BOND (with a score of 7) with consumers as advocates, relative to its competitors such as VW.

These factors are used to understand where a brand is … and the challenges it needs to overcome to move forward.



For the PPA our area of focus was to understand how magazines could be used to drive **BONDING** as this is regarded as the most important level of the pyramid. It has the strongest correlation with share of wallet.

Millward Brown has established that on average a bonded consumer will allocate 33% of choices to their bonded brands.

The underlying message is that the brands that drive the strongest levels of Bonding will deliver stronger business performance in hard cash terms.

To examine this in more detail we took BrandZ data for 136 brands researched in the UK in 2011 and combined this with their advertising investment by media channel, as per Nielsen.

Using this we created a rich database to understand the underlying relationships between media and brand behaviour, and in particular **BONDING**.

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Magazines & Bonding

Across the 136 brands the average allocation to magazines was 7% of total media spend.

We then isolated brands which invested 20% or more above this average and compared their bonding scores against brands which spend below the average in magazines.

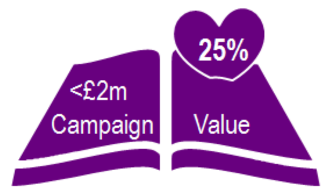
Heavy magazine users, whose overall campaign value was less than £2m, enjoyed a 25% uplift in their bonding scores versus brands which spend less than the average in magazines.

For brands spending between £2m and £10m … and who invest above average in magazines … bonding scores are even more impressive, with an average uplift of 72%.

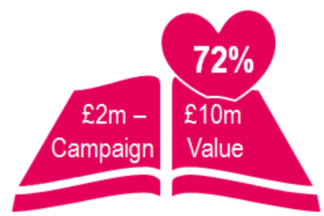
So whether a high or low spending brand, allocating over 7% of media budget to magazines is associated with stronger brand bonding.

Why should this be the case?

From previous work, we know that one of the key facets that make magazines strong advertising vehicles is the reader-relationship.



Brands that invest 20% above average* in magazines enjoy higher bonding scores than brands that underinvest



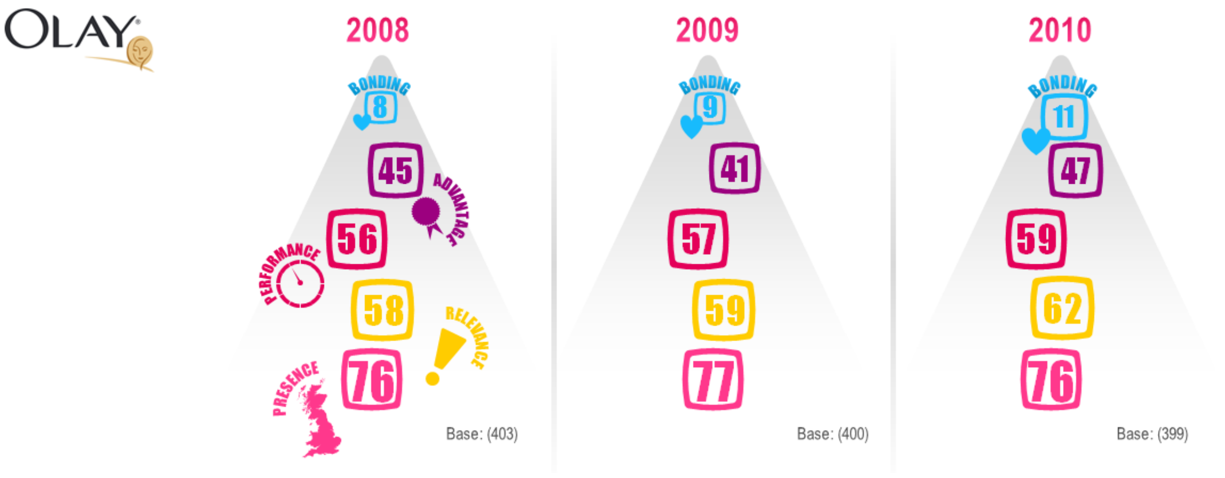
Magazines are trusted by readers, and advertising is viewed as part of the content offering. Brands that use them benefit from this relationship.

We repeated this exercise across all other media to understand how a higher level of investment might drive bonding scores.

Magazines were the only medium which showed a consistent positive correlation between higher investment levels and higher bonding scores.

Let’s look at two actual case studies for brands which are heavy magazine investors.

Olay is a well established brand and magazines have formed a key element of their media activity. In total they've spent more than £15m in magazines since 2008 with an average share of 17%, second only to TV.



Looking at the lower 4 tiers of the brand pyramid, there has been very little movement since 2006.

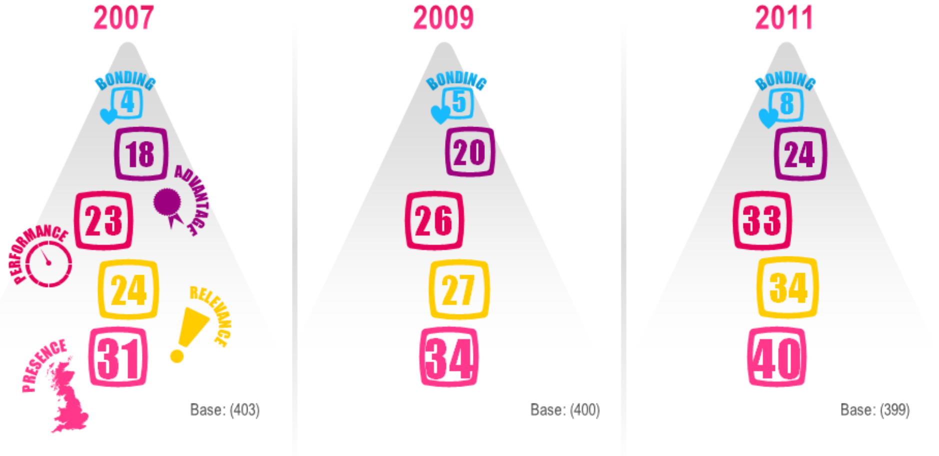
That's to be expected. For a well know brand it would be a challenge to boost these figures without a substantial increase in marketing spend – or indeed a change to the product.

What we do see is an increase in their Bonding score over time, associated with this sustained investment.

An increase, 8 in 2008 to 11 by 2010, or nearly a 38% uplift in bonding scores.

In a competitive fmcg market, where emotion is a critical factor, having a higher positive bonding score is a real asset.

Another example is from P&G's Aussie brand. This is a good example of a brand built on magazines. Aussie launched less than 10 years ago and during the period we looked at they've allocated more than 80% of their media spend to magazines.



Some may say "But that's not enough on TV or outdoor to drive awareness or consideration".

However, the evidence suggests otherwise. Magazine's have delivered significant increases on all tiers of the pyramid but the highest percentage increase again comes with the bonding scores which has showed a 100% increase between 2007 and 2011.

So we can conclude that if it's bonding a brand is after – they could do a lot worse than use the benefits of the magazine environment and the trusted reader relationship.

So, plenty of evidence exists to show magazines ability to drive positive brand metrics.

The next question is… how do we accurately measure this contribution in econometric modelling?

Magazines, Econometrics & ROI

The role of econometrics is to identify and isolate a large number of factors which might impact on sales.

Basic Econometrics:

Each brand or product has an assumed level of base sales. i.e. if nothing in the world ever changed, and consumers' knowledge and choices remained static, a brand would, in theory, be able to maintain this level of sales.

The grey band on this chart illustrates the assumed level of base sales over time.

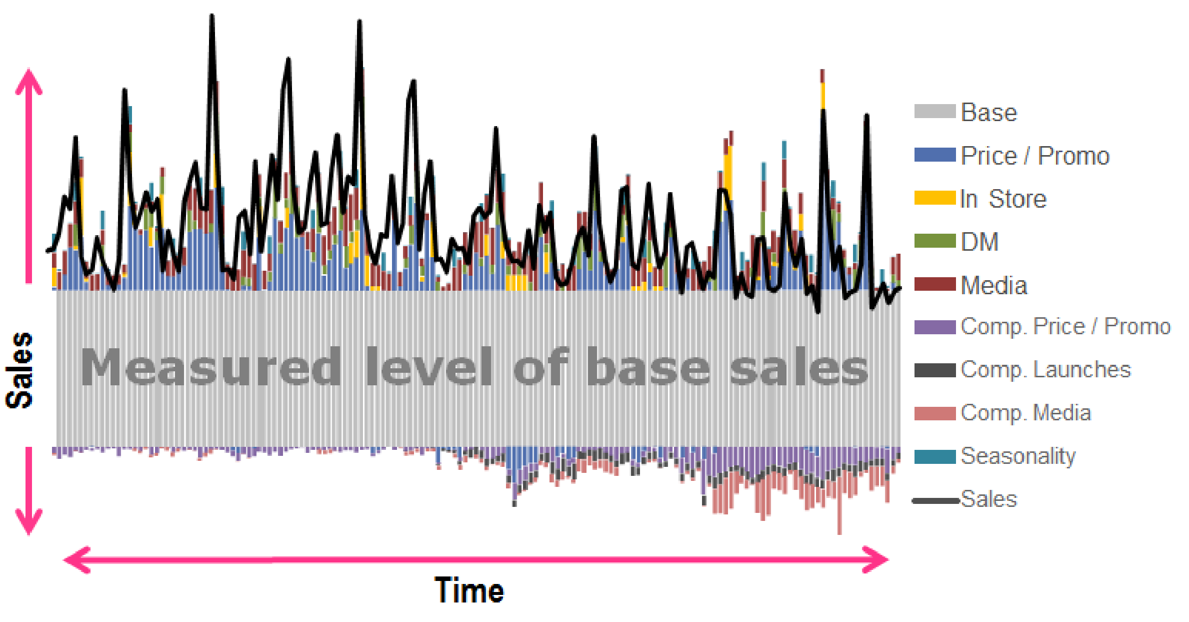
But of course we live in a world where the only constant is change and brands are continuously in competition for the consumer's attention.

As such sales levels can fluctuate greatly as illustrated by the black line.

Econometric models drill down into the details to try and identify the factors that could be impacting on sales, and the total share of sales each of these factor could potentially deliver.

There are a large number of factors which could be a positive driver of sales and these could include price offers and promotions, in-store activity and placement, seasonality, direct marketing, below the line activity and of course above-the-line (ATL) media.

Competitor activity and different factors provide a negative driver of sales for the brand.



Our particular area of interest was to understand the impact that ATL media activity. It is generally accepted that ATL activity contributes to around 10% of total sales.

So our investigation focussed on isolating the ATL media effect, then calculating the contribution or ROI each of these individual channels were making to the advertiser's bottom line.

ATL Media's contribution to sales

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ROI challenges for magazines

In our work with Mindshare we identified three key factors which can significantly affect magazines' reported performance. These need to be carefully considered when constructing econometric models.

We need to make it clear that we are not critical of the way agencies construct their econometric models. Each is uniquely designed for individual clients, and there are many agencies which are already using all of the guidelines that we are putting forward.

This section of our investigation focussed more on providing best practice guidelines to ensure that magazines are accurately measured in such models. These are:

- **Don't report as homogenous press:** magazines are often bundled with newspapers into a single press category. Magazines and Newspapers have different functions in a media campaign and should be separated and measured individually.

- It is critical to **understand the slow ratings build of magazines** and ensure that the appropriate media inputs – the real life delivery of ratings - are incorporated into models. **NRS accumulation data** is available which helps planners do just that.

- We found that magazines often have such a low schedule weighting that it would be incredibly difficult to get an accurate measure of their performance due to this low level of investment.

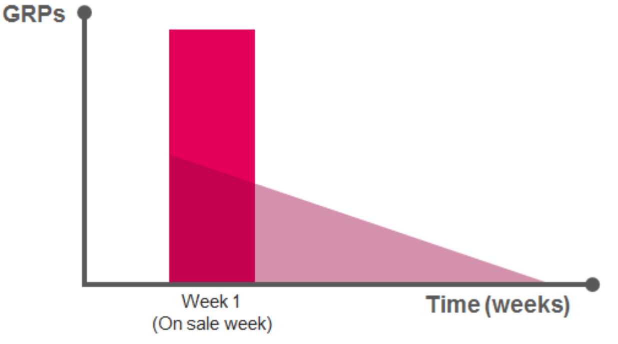
Looking a little more at accumulation.

Magazine purchase and reading calm and unhurried. Readers discover the content at their own pace.

In fact, the average monthly title takes 4 weeks to deliver 81% of its audience and it will continue to build audience over a period as long as 30 weeks.

This can make it challenging to measure magazines in econometrics, because they don’t deliver their entire audience in one ‘easy to pinpoint’ moment.

An incorrectly applied print model may assume that a title will deliver its entire audience during the week that it goes on sale.



Incorrectly applied print models assume the total audience is reached during the on sale week

Working on this assumption, the model will pick up a lower than expected reading during this period, and then not take into account, or discount, the audience delivered in the longer term. Essentially it will look for impacts in the wrong places.

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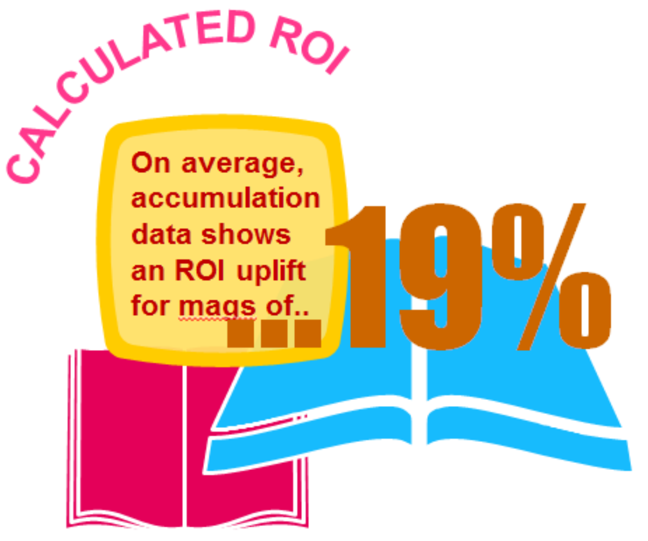
To understand the impact of this in more detail, Mindshare conducted media-input analysis on 5 FMCG campaigns (all multimedia campaigns) with sales data to understand how this might affect the ROI for magazines.

Data for these campaigns was modelled using unacummulated ratings (expecting the entire audience to be delivered immediately) and compared to results using accumulated ratings (allowing for the audience to build over time)

The results showed some startling differences in performance, ranging from a positive 3% to a positive 40% uplift in reported ROI.



Analysis of 5 FMCG campaigns

Brand A +3%

Brand B +7%

Brand C +14%

Brand D +33%

Brand E +40%

On average the application of accumulated data into the models across these 5 campaigns, showed an ROI uplift of 19%.

So without making changes to the media plan or increasing investment, the model using accumulated rating provided a substantially more positive reading for the performance of magazines.

ANALYSIS OF 77 CAMPAIGNS WITH A SPEND UP TO £6m

We then applied our best practice guidelines in a meta-analysis of 77 campaigns with a spend of up to £6m to provide a comparative ROI reading all other channels used in these 77 campaigns.

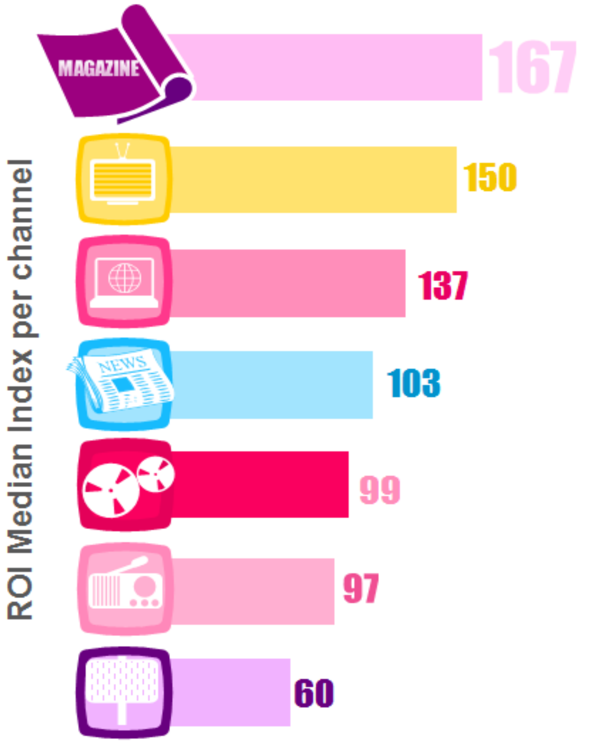
When results were expressed against a mean index per channel, magazines showed the highest ROI.

In fact magazines delivered an ROI 11% higher than TV, and 22% higher than online.

Most ROI studies stop at this point of proclaiming the job done.

At the PPA, however, we challenged this result. We wanted to understand why magazines enjoyed such a fantastic level of ROI across these 77 campaigns.

The final phase of our investigation was to understand how channel investment levels might impact on ROI.



In order to do so we investigated current investment levels in different media against their **diminishing return curves**.

We discovered that magazines' high ROI is – in part – driven by its current level of underinvestment.

In essence, advertisers are typically only tapping into a fraction of the medium's potential and as such the stated magazine ROI could be viewed as artificially high as a result.

Diminishing return curves

Diminishing Returns Curves are standard outputs for media channels evaluated by econometrics and are modelled specifically for each campaign.

In simple terms they show the additional expected level of sales generated by a given level of additional spend in a channel.

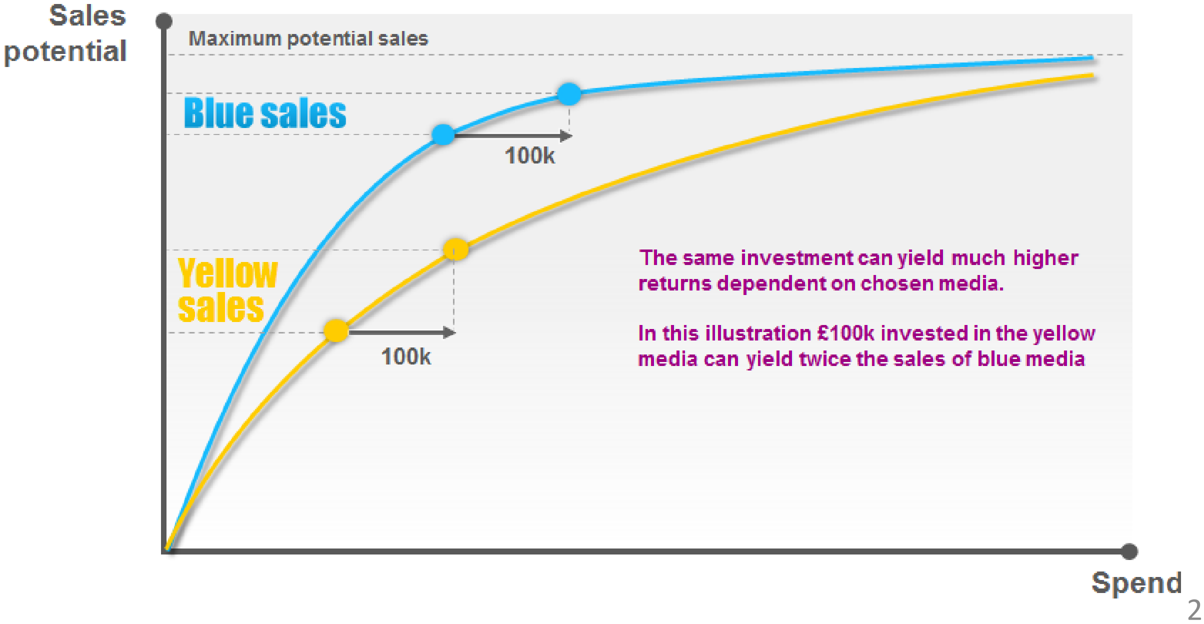
We expect that as investment in a channel increases, the extra sales generated, per pound spent, declines.

In this illustration the chart tells us to start our campaign in the blue media because it's more efficient in the beginning of its use.

However at some point … in this case at the blue circle … it gets close to its maximum potential and isn't building reach efficiently any more … it's just delivering more exposures to the same audience already reached.

Any additional budget would be better spent in the yellow media where an additional £100k invested would potentially generate twice the level of sales return in comparison to the blue media.

On a diminishing returns curve, the lower and more to the left of the curve at your starting point, the more return you get for each £ invested.



To understand this in more detail we took the five FMCG campaigns referenced earlier in the magazine input analysis and examined their media diminishing returns curves.

This graph shows the media used for one of the actual campaigns in our analysis.

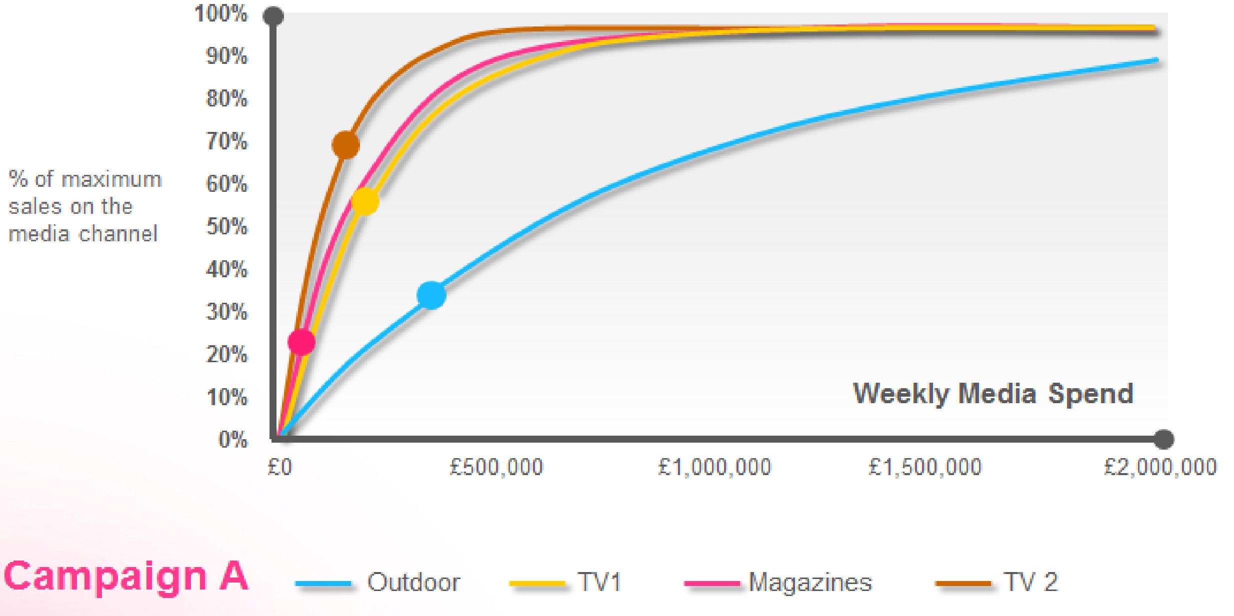
The campaign used outdoor, Magazines, and two TV schedules (one for terrestrial TV and for satellite channels).

Most of the media are invested appropriately at the level just prior to when returns start to diminish - except for magazines.

This comparatively low level of investment keeps magazines at a point where each additional pound invested has the strongest sales impact.

So when we carry out the analysis, magazines are actually delivering a fantastic ROI compared to other channels.

This was the case for most of the campaigns we looked at.



So, given that magazine investment still has some way to go before ROI per pound invested starts to drop off, we examined several reallocations of media budget … not applying extra money … but just using the same money differently.

We increased the weekly weight of magazine budget by 10%, by 20% and 30% respectively, in all cases reallocating from the current least efficient media in ROI terms.

And this resulted in an estimated average sales uplift of 1% … 1.9% ... and 2.6%.

Although these figures may appear small, it needs to be born in mind that above the line media normally contributes about 10% of total sales, so from that perspective the uplift is quite substantial.

In addition the gains delivered by reallocating budget to magazines were far greater than what was lost from the host medium.

As the final step we calculated by how much magazine spend would need to be increased by before its ROI dropped to the same level as that for TV.

The results varied for each campaign but … at a minimum … **magazine spend needed to be doubled before the ROI dropped to the same level as TV.**

This has quite a significant implication for advertisers and marketers.

Magazines could potentially offer them a low risk, yet high yielding, opportunity to substantially boost the sales effect from ATL media without additional investment.

… budgets have to **be at least doubled** before magazine ROI reduced to the same level as TV

Required increase before ROI dropped to the same level as TV

Brand A x2

Brand B x3

Brand C x5

Brand D x8

Brand E x15

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Summary

In an ever evolving media market magazines remain an oasis of engagement due the intimate relationship that readers enjoy with their favourite magazines. Magonomics clearly illustrates the benefits to advertisers in leveraging this relationship.

Magazines are uniquely positioned to drive consumers closer to brands, and brands who are heavy investors in magazines reap the benefits of substantially increased bonding scores.

Magazines are the only medium in this study which showed a consistent positive correlation between higher levels of investment and higher levels of bonding.

Accurately measuring the contribution that magazines make can easily be underestimated.

Our work with Mindshare showed that there are 3 key elements that need to be in place to ensure an accurate ROI reading for magazines:

- magazines and newspapers need to be measured individually
- econometric models need to use accumulation data to fully account for audience build over time
- magazine investment needs to be weighted at an appropriate level to ensure that its contribution can be accurately measured.

With all three these elements in place meta-analysis by Mindshare and Ohal shows that magazines have the highest ROI on average across the 77 campaigns looked at.

Magazines showed and ROI 11% higher than TV and 22% higher than online.

We established that this high level of ROI is partially driven by a low level of investment in magazine. Budgets have to at the least be doubled before magazine ROI drops off to the same level as TV.

Ultimately Magonomics shows that magazines potentially offer advertisers a low risk yet high yielding opportunity to substantially boost the sales effect from ATL media without the requirement of additional investment in media.

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