

# Documenting the Magazine Value Proposition

September 15, 2005

Circulation reporting issues have distracted publishers and advertisers from focusing on the real and substantial value magazines offer advertisers; i.e. *the ability of magazines to deliver advertising messages to audiences that are both qualified and engaged.*

Advertisers and publishers need to shift their focus away from copies sold and circulation metrics which offer little utility:

- Cost of copy
- How subs are purchased
- Whether copy is:
  - Public place
  - Agent sold
  - Sponsored or partnership

Instead they need to focus on the “proof” of circulation quality found in measured audience - and in determinations of ROI.

- How many people read the publication?
- Do they fit my target?
- Are they sufficiently engaged by the publication to see the ad?
- Will they buy the product?

A shift in focus away from detailed circulation metrics towards audience will improve both . . .

the quality of advertising decisions  
**and**  
advertisers' profitability.

It will also allow publishers to focus on the creation of real advertising value.

Much of the work McPheters & Company has done over the last few years has been focused on helping both publishers and advertisers understand these issues more clearly.

As part of this process, we have matched the subscriber files of most major publishers with the MRI database.

- Advance
- Gruner & Jahr
- Hachette
- Hearst
- Meredith
- Time

We have processed 200MM subscriber records for 94 titles.

## Objective:

To determine whether or not subscribers who pay more or are direct to publisher are more desirable in terms of:

- Demographic quality
- Engagement

## Using existing MRI data offers multiple benefits:

- Relatively large samples
- Independent 3<sup>rd</sup> party data source
- Use as a currency in print selection

## What we did:

- Used Experian to do the matching.
- Based our analysis on subscribers who matched MRI respondents at either the individual or household level.

To provide a framework for assessing differences across multiple titles with varying characteristics, we indexed characteristics of subscriber subsets to those of total subscribers for each individual publication.

Our analysis included all publications with at least 50 matched respondents in each group analyzed.

## We looked at subscribers in two ways based on:

- Average price paid
  - Calculated average price for matched subscribers for each publication
  - Looked at those who paid less than average vs. those who paid average price or more
- Direct to publisher or not
  - Looked at those who subscribed as a result of direct solicitation from the publisher vs. those who came in through 3rd party; i.e. agent sold

## Here's what we found:

- Subscribers who pay less for their subscriptions are as desirable as those paying more in terms of
  - Demographics
  - Involvement
- Direct to publisher subscribers are
  - Very slightly more affluent, better educated, and involved
  - A bit older and less likely to have children in the household

# Summary of Indices

<b><u>Demographics</u></b>	<b><u>&lt;APP</u></b>	<b><u>APP+</u></b>	<b><u>DTP</u></b>	<b><u>Not DTP</u></b>
Men	99	101	101	99
Women	101	100	99	101
Median Age	101	99	103	97
Median HHI	101	100	105	98

# Summary of Indices

<b><u>Demographics</u></b>	<b><u>&lt;APP</u></b>	<b><u>APP+</u></b>	<b><u>DTP</u></b>	<b><u>Not DTP</u></b>
College Deg.+	102	98	106	93
Employed FT	99	101	102	102
Prof/Mgrl	101	100	106	98
Any Kids	94	106	91	113

We did the same for involvement measures based on subscribers who were measured readers of the publications.

## We looked at:

- Average page exposure - the probability of being exposed to a single page
- Average rating score - based on
  - One of my favorites=100
  - Very good=75
  - Good=50
  - Average=25
  - Poor=0

## We looked at:

- Average interest in advertising - based on whether there is
  - Considerable interest=100
  - Some interest=50
  - Not much interest=0
- Average frequency of reading - # of issues read out of 4

DTP subscribers did a bit better than others in terms of involvement measures, but in all cases the differences were slight.

<b><u>Involvement</u></b>	<b><u>&lt;APP</u></b>	<b><u>APP+</u></b>	<b><u>DTP</u></b>	<b><u>Not DTP</u></b>
APX	99	100	105	95
Rating	100	99	103	97
Int. in Adv.	100	99	104	96
Freq.of Rdg.	100	101	101	97

As an outgrowth of this project, we were asked to also look at price paid by quartile.

As in the earlier analysis, price paid did not predict demographic quality.

<u>Demographics</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Men	97	101	103	100
Women	102	99	98	100
Median Age	103	100	99	99
Median HHI	101	102	100	100
College Deg.+	103	102	97	101
Prof/Mgrl	98	102	98	102

In fact, subscribers who paid the least had the highest page exposure and were the most interested in advertising.

<b><u>Involvement</u></b>	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>
APX	106	101	97	94
Rating	101	98	99	101
Interest in Advertising	103	99	98	100
Frequency of Reading	100	100	99	100

Conclusion: Subscribers who pay less are at least as valuable as those who pay more.

Earlier this year, we completed work similar to that undertaken for the publishers for Synapse.

Synapse is a leading marketer of magazine subscriptions and revolutionized the industry with the invention of its patented continuous service process a decade ago.

Purchased by Time Warner in 2001, Synapse markets subscriptions through a network of major affinity partners across several industries including bank credit cards, airlines, retailers, catalogers and the internet.

# Synapse Overview

The objective was to provide their publishing clients with information that they could use internally and with advertisers to demonstrate the quality of Synapse-generated subscriptions.

We used a methodology similar to that used for the publishers, except this time, we indexed Synapse subscribers to publication readers.

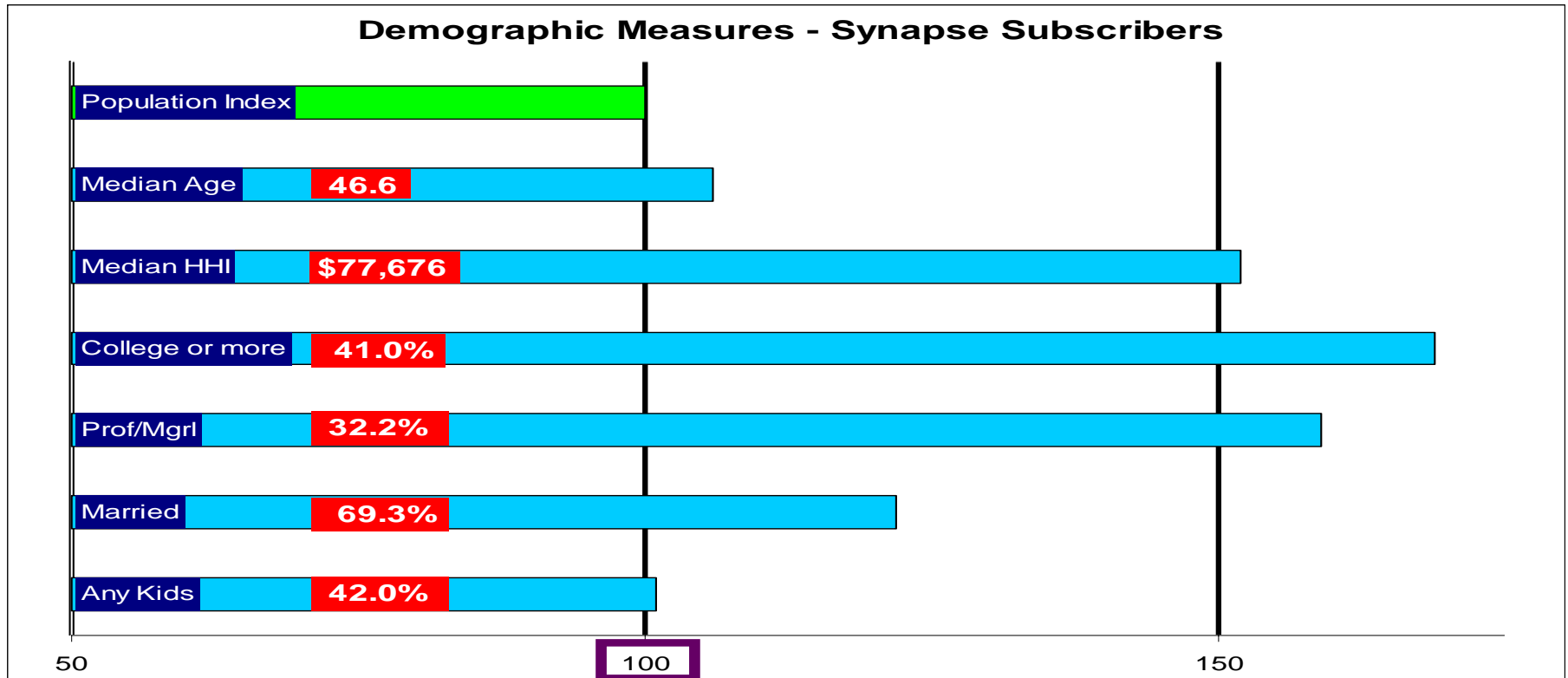
# Overview of Findings

- Synapse provides its publishing clients with subscribers who are highly desirable in terms of both demography and reader involvement.
- This is true even for those offers requiring disclosure.

# Findings

- Overall, Synapse generates readers who are demographically superior to both the population and other magazine readers.

Synapse subscribers are substantially more affluent, better educated, and more likely to be in professional or managerial occupations.



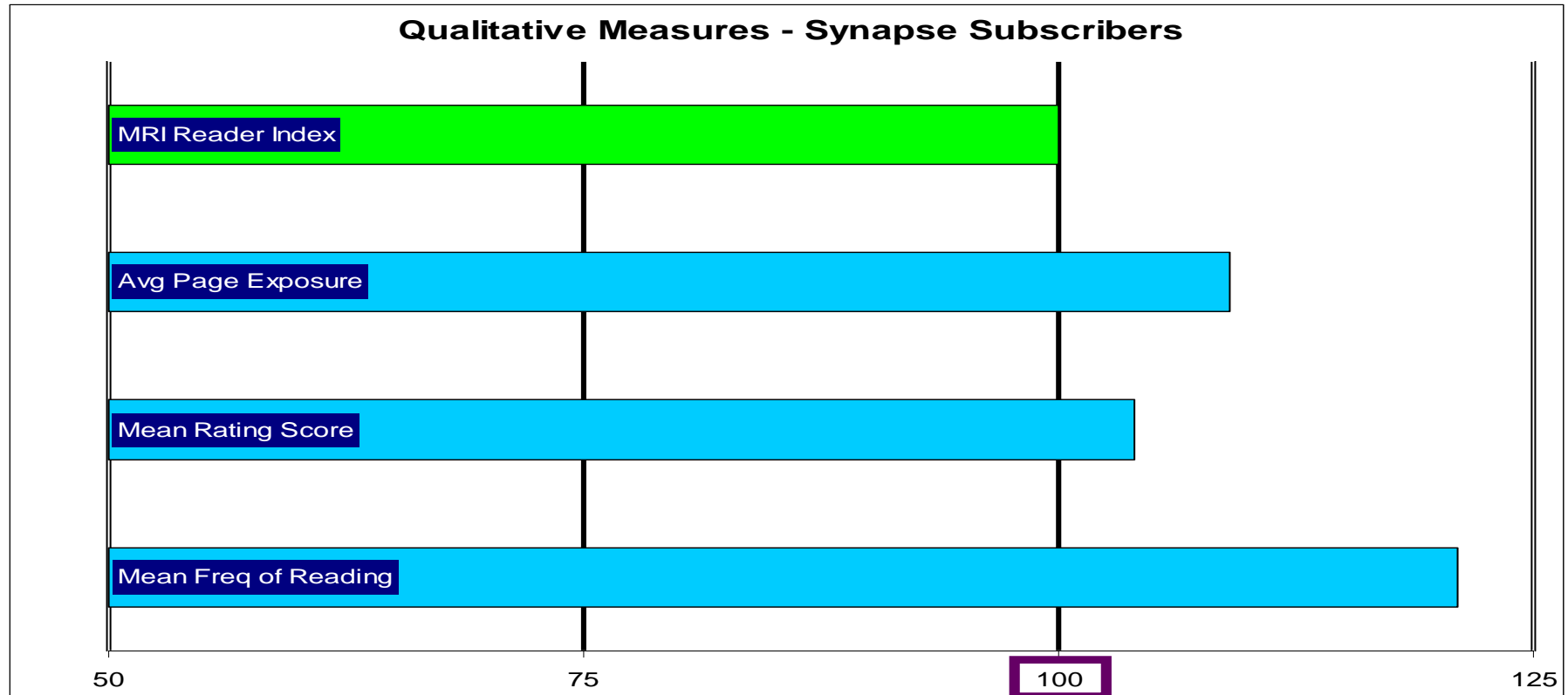
	Median Age	Median HHI	College or more	Prof/Mgrl	Married	Any Kids
<b>MRI Readers</b>	93	126	132	134	97	108
<b>Synapse Subscribers</b>	106	152	169	159	122	101

Based upon averages across MRI measured titles

# Findings

- Synapse subscribers are involved readers. This is particularly noteworthy because
  - Reader involvement is sometimes inversely correlated to demographic quality.
  - Highly educated, affluent professionals also tend to be time impoverished.

# Synapse readers are as or more involved than other publication readers.



	Avg Pg Exposure	Mean Rating Score	Mean Freq of Reading
<b>MRI Readers Index</b>	100	100	100
<b>Synapse Subscribers</b>	109	104	121

Based upon averages across MRI measured titles

This theme repeats itself across even those offers requiring special disclosure by ABC: CAPS, partnerships and sponsored subscriptions as well.

# These offers generate readers with exceptional demographics...

<b>Demos</b>	<b>Pop</b>	<b>Readers</b>	<b>CAPS</b>	<b>Partnership</b>	<b>Sponsored</b>
Median Age	100	93	105	117	113
Median HHI	100	126	184	155	144
College Deg.	100	132	237	199	199
Prof/Mgrl.	100	134	213	221	156
Presence of Children	100	108	107	117	122

...and high levels of involvement.

<b>Demos</b>	<b>Readers</b>	<b>CAPS</b>	<b>Partnership</b>	<b>Sponsored</b>
Average Page Exposure	100	112	100	101
Mean Rating Score	100	99	109	108
Interest in Adv.	100	89	133	111
Freq. of Reading	100	122	104	128

# Conclusions

- Neither price paid nor DTP vs. agent sold predicts reader quality
- Agent sold copies can produce demographically desirable and involved readers
- This is true of sources like CAPS, sponsored, and partnership subscriptions that are under intense scrutiny by advertisers

Sound circulation practices and editorial strength are reflected in publication audience. This is where the true value of our publications lies.

Thank you.