HOW MAGAZINES MAXIMIZE ROI

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Synopsis
Abril Group, the largest magazine publisher in Brazil, and Ipsos conducted a study in 2006 to understand how magazines affect ROI.

A central location study was conducted with 614 male and female subjects from 18 to 60 years of age, who identified themselves as both broadcast TV viewers and magazines readers. The subjects were exposed to 51 advertising campaigns with similar budgets, covering 6 categories of products. The campaigns were divided into three groups by type of media exposure: i) Only Magazines, ii) Only TV, and iii) TV + Magazines. Brand linkage, intent to buy, and recognition were measured.

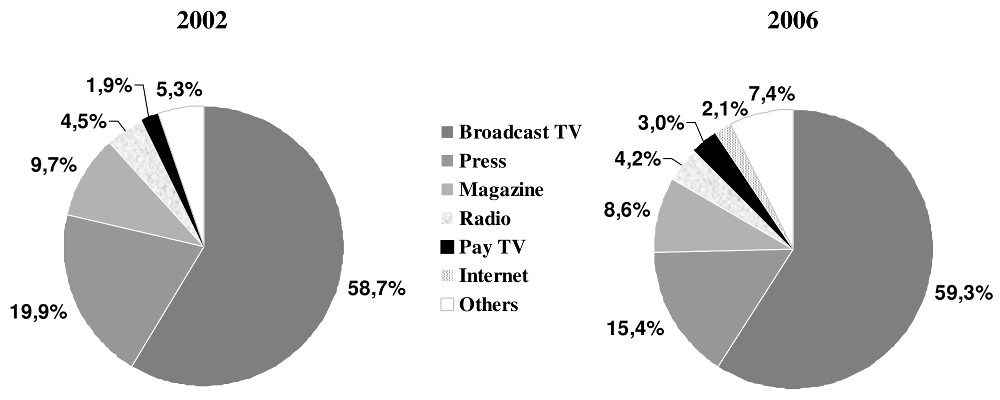
The results were promising. The TV + Magazines group showed brand linkage 107% higher than the Only TV campaigns. Moreover, on Intent to Buy, the TV + Magazine group scored 38% higher than the Only TV group.

Neuroscience offers an explanation for these results. According to neurologists, information is registered in our brain with electrical links. Each media type creates a different link; the more links you have to a particular product, the higher the memory, therefore, the higher the intent to buy. For this reason, the combination of the TV and Magazine exposures is better once more links are created.

This knowledge has opened a new concept for media buying. The more brain links a person has, the more effective a media plan will be. Therefore, the ROI can be improved by maximizing the amount of overlap of exposure to the same campaign in both magazines and TV. After several simulations, we have concluded that the maximum overlap is achieved when the media plan, composed exclusively by TV and magazines, had at least 30% invested in magazines. Currently in Brazil, the print adverting share is 8.5%, so this project shows great potential to boost print advertising revenues.

1- Introduction

The advertising market in Brazil has grown more than 15% per year over the last 4 years; advertising expenditures in 2006 totaled US$ 8.7 billion. Despite these dimensions and current growth, advertising in broadcast TV still dominates the market. In 2006 broadcast TV commanded 59.3% of the market, followed by newspapers with 15.4%, and magazines with 8.6% (US$ 748 million per year). Despite being the third most important in the country, the position of magazines in the market has been falling since 2002, when it represented 9,7% of the total market (graphic 1). That is, in 4 years the magazine advertising market has shrunk by 11%.



Graphic 1: Media spending in Brazil 2002 and 2006.

Confronted with this worrisome scenario, publisher Editora Abril, the company that dominates the Brazilian magazine market both in terms of circulation and advertising, commenced, together with Ipson-Brazil, a pioneering study in Brazil to prove the efficiency of the magazine medium. The project was anchored by a study whose methodology was presented in the 12th WRRS on the theme "*The Power of the Written Word*" and has as its base a quantitative study that offers the possibility of comparing the effectiveness of the TV and Magazine media.

In addition to the survey, the project relied on the a team of journalists and neuroscientists who assisted in transforming the results of the survey into a complex study that created, together with reach and frequency, a new metric for evaluating a media plan: the overlap of the media. Based on this new concept, the project would theoretically, if fully adopted by all the agencies and clients, double the size of the magazine advertising market in Brazil.

The steps that were taken in this project are presented below.

2- The Research

The research was based on a technically validated and internationally recognized methodology. 614 subjects were interviewed, 50% men and 50% women ages from 18 to 60, from the upper and upper middle classes representing 33% of the Brazilian population. It was conducted in 2 Brazilian states, São Paulo with 400 interviews and Rio de Janeiro with 214 interviews. All subjects were magazine readers and regular broadcast TV viewers.

51 real campaigns that had run from September through October 2006 and were identified by IBOPE Monitor survey as having equivalent budgets, were evaluated. 11 of the campaigns had been run only in magazines, 10 only on TV, and 15 in both media.

The campaigns used in the study were representatives of 6 categories of products: beverages, electronics and appliances, retail goods, automotive products, financial, and beauty and hygiene. These segments represent 45% of the advertising investment in the year 2006.

To conduct the study, we used a central location, specially prepared for conducting the study, where the subjects first responded to questions about the media, and then evaluated the campaigns without any identification of the brands (blind sounds and image). The subjects responded to questions that permitted us to create indices for:

Recognition – memory of the campaign;

- Brand Linkage – memory and correct identification of the brand;
- Intent to Buy.

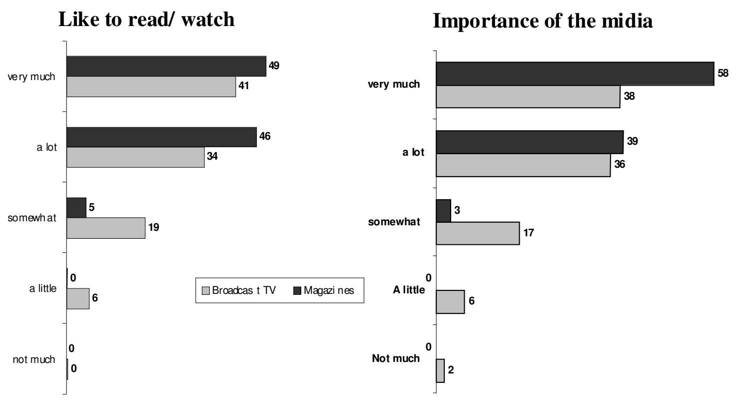
The results of the survey were grouped in two blocks: 1) Habits and Attitude and 2) Efficiency of the media.

3 – Habits and Attitude Results

The Habits and Attitude block detected the following characteristics of the subjects:

88% enjoy reading/viewing advertisements;
61% clip adverts from magazines to consult;
47% bring these clippings when shopping;
56% do their shopping influenced by magazine advertising;
55% try new brands based on adverts.

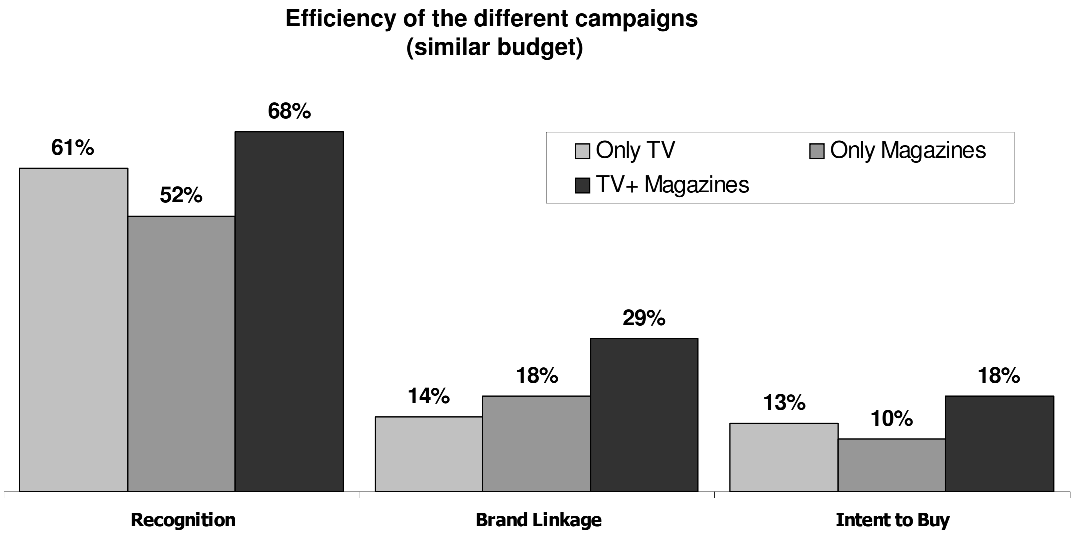
In addition, note clearly in the graphic 2 that the results are more positive in the magazine medium, both in the percentage of subjects who report enjoying reading/viewing advertising as well as in terms of the importance of the medium.



Graphic 2: Enjoying and importance of the Broadcast TV and Magazine

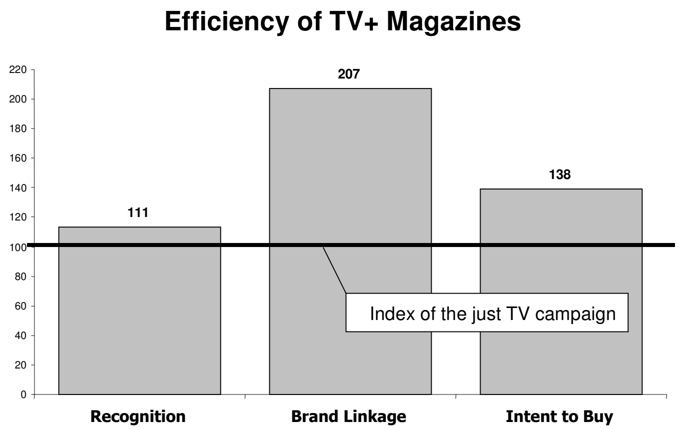
4- Efficiency of the mediums

The study also demonstrates in numeric terms that the synergy of the magazine and TV media increases considerably, because three basic components of a campaign improved: Recognition, Brand Linkage and Intention to Buy, as demonstrated in the graphic 3.



Graphic 3: Efficiency of the different campaigns.

If we express the results of the Only TV group as a index, note that the inclusion of the magazine medium in a TV campaign increases Recognition by 11%, Brand Linkage by 107% and Intention to Buy by 38%. In other words, without changing its budget a media plan initially designed only for TV and adapted to include magazines is more effective.



Graphic 4: Efficiency of the different campaigns indexed by Only TV group.

5 – Explaining the Phenomenon

Neurology teaches us that the process of intention to buy is related to familiarity, which in turn, is related to memorization. Thus, the better the memory, the higher the familiarity, and the greater the intention to buy. So, to increase the intention to buy, we need to increase memorability.

Neurological studies have also demonstrated that information is registered in our brain by electrical links. Each medium creates a different link, and the more links one has, the better the memorability. Combining magazines with TV creates more links than one isolated medium, thus memorability is increased, and so consequently is the brand linkage and intent to buy.

To measure the impact of this synergetic effect on a media plan, a simplified way to calculate the ROI of a campaign was developed. The process follows the following steps:

1– From the programming of the medium, we get the total number of subjects in the target being impacted by the campaign, that is, the numeric reach;

2– From the study we know the intention to buy of the audience reached by only TV (13%), by only magazines (10%), and by TV + Magazines (18%);

3– If we multiply the total number of people exposed to the campaign by respective indices we will have the total number of potential buyers;

4– We know that not all the potential buyers indicated by one study actually buy. This difference is measured by the effectiveness index. The effectiveness index is the percentage of people who actually buy from the total of those who said that they would buy. Thus, if we multiply the potential buyers by the effectiveness index we can find the actual sales.

5- If we multiply sales by the product's margin per unit, we get the profit. Given the investment, we can easily calculate the ROI using a spreadsheet.

Below we have two numeric examples that illustrate this process:

Example 1: 100% TV Campaign

Target: Women, Upper and Upper-middle classes, Age 18 +. Region: São Paulo
Media Plan: 100% TV
Reach: 2.036 million people (88.7%)
Buy Intent: 13%
Potential Buyers: 2,036.000 x 0.13 = 264,680
Effectiveness Index: 40% (estimated, only for didactic purpose)
Sales: 264,680 x 0.40= 105,872
Margin: R$ 10/ product
Profit: 105,872 x10 = R$ 1.058 million
Investment: R$ 838,000
ROI: **26%**

Example 2: Campaign with the same total budget as Example 1, but with 70% of the budget allocated to TV and 30% to magazines

Target: women, Upper and Upper-middle classes, 18 + Region: São Paulo
Media Plan: 70% in TV and 30% in magazines
Reach: 2.068 million people (90%), where 847,880 viewed TV and Magazines, 1,188,120 were reached by only TV and 32,000 people who viewed only magazines.
Intention to Buy: 18% to TV + Magazines, 13% only TV and 10% only magazines
Potential Buyers: 847,880 x 0.18 + 0.13 x 1,188,120 + 0.10 x 32,000 = 310.274
Effectiveness Index: 40%
Sales: 310,274 x 0.40= 124,109
Margin: R$ 10/ product
Profit: 124,109 x10= R1.24 million
Investment: R$ 838,000
ROI: **48%**

In the simulations above, the ROI increases considerably (from 26% to 48%), because when magazines are added we have an area of overlap between TV and Magazines, where the Intent to buy increases from 13% to 18%. Moreover, in the TV and Magazines plan, there is a gain in reach due to the people who were exposed exclusively to the magazine medium, which also contributes to increase the ROI, figure 1.

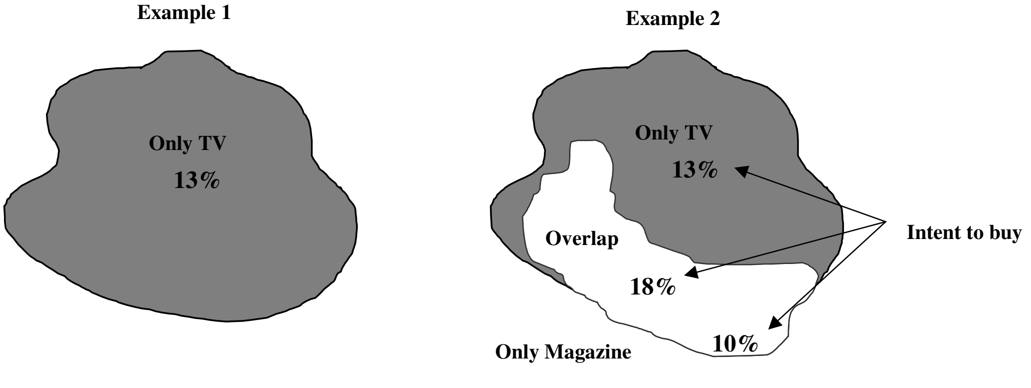


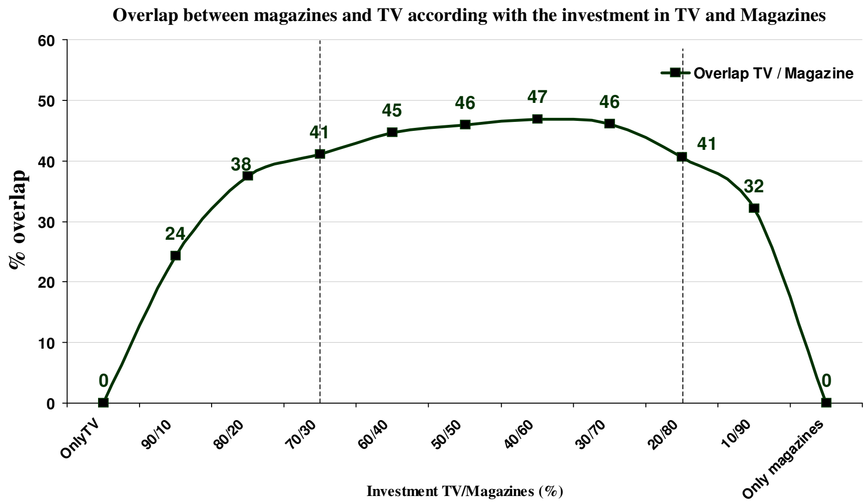
Figure 1: The three areas which theirs respective Intent to Buy. Note the example 2 has the overlap area with higher Intent to Buy and the addition reach from the only magazine group.

It is true that the model above is a simplification and to calculate the ROI correctly we should know the real effectiveness index and use only the additional sales generated by the campaign. However, this simplification does not alter the findings. If we consider only the potential buyers, we note that in Example 2 it is 17% higher than in Example 1 (310,274/ 264,680). That is, it is once again clear that the inclusion of the magazine medium to a media plan initially intended only for TV, while maintaining the same budget, increases the potential to buy and consequently the ROI.

Another important point of issue is the concept of cost per thousand (CPT). Magazines generally have a higher CPT than TV. However, to analyze this number in isolation is unfair, as the addition of magazines creates the overlap area that increases the intent to buy from 13% to 18%. The best measure would be an weighted average CTP /Intent to buy value.

5 - How ROI is maximized

The potential buyers and consequently the ROI may be maximized by simultaneously increasing the number of people exposed to Magazines and TV (overlap) and/or by increasing the reach of the plan. The graphic 5 was designed to better explain this effect. It illustrates the typical evolution curve of the overlap of the two media as the percentage investment in magazines increases, while maintaining the total budget of the campaign constant.



Graphic 5: Overlap between TV and Magazines against the investment in the media

We note from the graphic that, when the plan is Only TV or Only Magazines, the overlap is 0%. Relocating 10% of the investment of a TV media plan to magazines, that is, at the 90/10 point, the overlap is 24%. Increasing this budget relocation from TV to magazines, we note that for a 80/20 plan (80% in TV and 20% in magazines) the overlap is 38%. When the budget reaches the ratio of 70% in TV and 30% in magazines, a 41% overlap is obtained. From this point on, there is a marginal overlap gain that reaches 47% when the 40/60 ratio is reached. Therefore, a budget with a 70/30 ratio is where there is the most overlap between the media with the least budget relocation from TV to magazines. In other words, if a plan is composed only of TV and magazines, 30% of the budget should be directed to magazines. Currently in Brazil the ratio between TV and magazines is 88/12. If the market migrated to a 70/30 ratio we would double the advertising market for magazines.

It's important to note that for each target in the market the overlap curve can be more or less strong, but it will always be in the shape of a parabola.

In order to report these findings Editora Abril joined forces with the National Association of Magazine Publishers (ANER) and has been presenting its findings to all the agencies, clients and publishers in the main cities of Brazil. After 6 months of work, more than 2,000 professionals have seen and approved of these new findings.

We believe, as it deals with a cultural change, this kind of finding should begin to affect the market at least 2 years after it is reported and debated.

6- Conclusion

The study has demonstrated that the magazine medium has strong and unique differentiating qualities and it is more appreciated than broadcast TV. In addition, the study developed a new metric for the media, overlap, which adds to reach and frequency. The overlap between the media opens an enormous potential for the magazine medium because overlap, which was initially undesirable in a media plan, has become an effectiveness measure (desirable effect). If fully adopted, the new way of looking at the interaction between media may double the size of the advertising market in Brazil.

7- Reference

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- Guy Consterdine, *How Magazine Advertising Works*. Fifth Edition: August 2005
- Suzana Herculano, *O cérebro em Transformação*