



Association of Publishing Agencies
ADVANCING CUSTOMER PUBLISHING

Executive Summary | Prepared on behalf of APA by Millward Brown March 2005

APA ADVANTAGE STUDY

PROVING AND
BENCHMARKING THE
EFFECTIVENESS OF
CUSTOMER MAGAZINES



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APA ADVANTAGE STUDY | EXECUTIVE SUMMARY

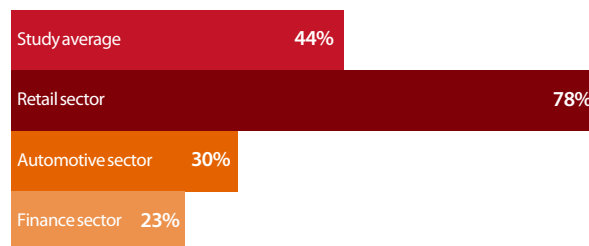
01 Companies that publish customer magazines have more profitable conversations with their customers

- This pioneering research proves that brands can become more profitable through increasing their share of expenditure by **8%** amongst consumers who receive their customer magazine.
- Customer magazines increase brand loyalty by **32%**. The study shows that customer magazines build both brands and sales simultaneously
- Customer magazines provide brands with the opportunity to spend more time with their consumers, with customers spending an average of 25 minutes actively engaged with their magazine (the equivalent in time to 50 30-second TV spots).
- Customer magazines contain independent editorial content which significantly enhances the corporate brand image by on average **9%**. The quality of editorial and content of a customer magazine is a key driver for magazine success. The research shows that the more marketeers can get their customers to read their customer magazine – the more they will spend on the brands product or service.
- Customer magazines clearly have a positive impact on consumer behaviour - **44%** of all customers receiving a customer magazine take some form of positive action as a result of the magazine thus enhancing their interaction with the brand; this rises to **78%** in the retail sector.
- Readers respond equally positively to free and paid-for magazines
- No other marketing channel is as measurably effective at simultaneously building brands, driving sales and generating loyalty.
- This research has shown in summary that customer magazine readers take around half an hour to read their magazine; they pick it up several times, and refer to it for a week or more; they then pass it on to a friend or file it for further use. What other medium can do all this plus drive more profitable conversations with their customers?
- This initiative is the first of its kind across all marketing media as the research not only proves the value of the medium, but is also serves as a benchmark for the industry, giving clients clear evidence of the performance of their titles against industry standard. Further more this is the first time that a validated FMCG research approach on this scale has been applied to understanding media.



Nearly half of all readers respond in some way

Level of active response (%)



Sample: 2928 interviews

02 What is a customer magazine?

- Customer magazines are regularly published titles produced by a publishing agency on behalf of brand-owners and distributed to customers, employees or members. Most customer magazines are distributed in-store, to members or via the post
- Customer magazines provide an effective and sophisticated form of marketing communication with millions of readers enjoying well-targeted editorial. They are a versatile medium and are typically produced to meet several marketing objectives: to inform and entertain the reader; to promote the brand, positively affecting brand image; to drive sales of the brand, reducing the cost of future sales through increased retention.
- The customer publishing industry is the fastest growing medium after the internet and is currently valued at **£385 million**, showing a **244% growth** over the last 10 years. The industry currently comprises **700 titles**, with most industry sectors utilising customer magazines as a marketing tool, and Mintel predicts growth to over **£530 million** over the next five years. The top 3 circulating consumer magazines are all customer magazines published for brands including Sky, Boots and Asda.

03 How the research was conducted

- Millward Brown was commissioned by the Association of Publishing Agencies to manage the independent research, named *APA Advantage Study* - the first of its kind for the industry. It can be accessed by all APA members and their clients. Royal Mail sponsorship allows all participating brand owners to access the programme at a minimal cost thus reducing barriers to entry. The research programme is on-going offering titles the ability to measure at any time. The results will be released every six months offering the ability to analyse, for example, the effect of customer magazines in different industry sectors and to monitor the incremental effect of launch titles over time.
- Two groups of a brand's customers - a total of 300 people for each magazine audited - were recruited. The only difference was that the "magazine" group of 200 respondents received the customer magazine; and the "control" group of 100 did not.
- The results measured the effect of individual titles on their respective brands' performance; and an aggregate of the total effect obtained from all results was used to calculate an average for the study. For industry sectors including retail, finance and automotive enough interviews were recorded with consumers to allow industry specific analysis detail of which is included in the appendix. Results from named brands have been included in this summary where the client has authorised release of the data.
- The study is ongoing with results being released to market every 6 months. So far a total of **4,390** consumers have been interviewed, which compares favourably with other media effectiveness studies. This is the first time that a validated FMCG research approach on this scale has been applied to understanding media.
- The two key analysis tools used (the Brand Pyramid and the Customer Loyalty score) are derived from the world's biggest brand equity study, which has been conducted in 3,200 separate studies covering 35,880 brands in 300 categories across 69 countries, interviewing over 150,000 consumers. This robustness has allowed the metrics to be validated against known sales data and so they can provide a prediction of future buying behaviour.



04 A word from Brian Jacobs, Executive Vice President, Millward Brown Media Evaluation Unit

“ The communications landscape has changed dramatically over the last few years. Increasing media fragmentation together with increasingly time-starved consumers who cherry-pick the media they consume mean that brand owners need to use every weapon in their armoury to connect and create a dialogue with target consumers. Straightforward advertising has a role to play, of course, but there is a trend towards more subtle and integrated associations between brand and editorial, or content.

Although customer magazine publishers and enlightened clients have known for years that customer magazines measurably deliver - both as a brand enhancer and sales-driver the medium has in the past been considered by marketers and media strategists as something of an unknown force. For the first time this study provides hard facts and figures proving that customer magazines definitely do build customer loyalty to a brand. It illustrates the extent to which customers engage with and value customer magazines and provides proof of how that helps to build stronger brand relationships with the brand. The study then takes this one step further and reveals the impact that this has on the increased share of wallet that brands can enjoy as a result of this improved consumer commitment.

So, now the industry has the quantifiable evidence to convince marketers and media planners and their advertiser clients of the power and influence of customer magazines.

”



“I tend to keep most magazines for about a month. I’ve got a basket for my magazines and once a month I’ll go through it and recycle some.”

FEMALE 45-54

“I feel like a member... and the magazine makes me feel part of that membership.”

FEMALE 45-54



05 Ways in which customers engage with magazines, adding value to brands

- The research proves that customers engage in the editorial content of customer magazines, which results in more profitable conversations for brands with their customers. A particular strength of the medium is that the dialogue or interaction is driven by consumers, who pick up the magazine frequently, at times to suit them, over reasonable time periods – the perfect example of permission based marketing.
- Brand empathy and quality perceptions are consistently **higher** amongst those receiving customer titles
- Customers spend **25 minutes** on average reading a customer magazine; for the best performing customer magazine, average reading time is **40 minutes**
- **57%** read at least half of the magazine; for the top performer this rises to **78%**
- More than **one in four** people pick it up **three times** or more; **54%** for the top performer
- **Two-thirds** of readers keep the title for a week or more. For the top performer, **96%** keep the title for the same period
- **Three in five** people see the content as very or quite relevant to them; this figure rises to **83%** for the top performer
- The above statistic proves that magazine quality, including the balance between editorial and promotional content, is the main driver of customer engagement. And that customer engagement is in turn the main driver of both positive brand image changes and of increased future purchase intentions

“It (the customer magazine) makes the store look more inviting.”

FEMALE 45-54

“It makes me feel they are a worldwide organisation. Someone who can be trusted.”

FEMALE 35-44

“Sometimes I have bought something through seeing it in the magazine, (that I haven't seen) in the actual shop.”

MALE 35-44

06 Ways in which customer magazines stimulate greater brand understanding and commitment

- Different customer titles across different market sectors have different objectives and effects amongst readers. The following case studies illustrate three particular cases where changes in brand image have resulted in greater customer commitment to the brand and long term more profitable relationships.
- Readers of Debenhams, *Desire* magazine are **24%** more likely to agree that Debenhams has the latest styles and fashions, and that it is modern and up-to-date
- Readers of an unnamed car magazine are **11%** more likely to agree that this brand offers desirable cars; **7%** that they make cars that stand out from the crowd; and **11%** that they make cars that are getting more popular nowadays (brand undisclosed due to client confidentiality)
- Readers of *Tube* magazine, produced for London Underground are **13%** more likely to agree that the Tube is for people like me; **22%** more likely to agree that it is a modern transport system; and **28%** that it is good quality

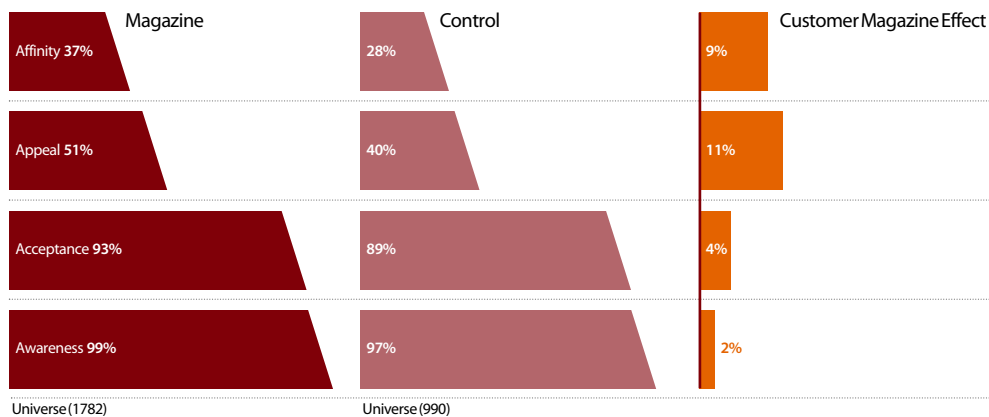


07 How customer magazines enhance brand relationships which stimulate profitable changes in behaviour and purchase consideration.

A | Brand Relationships

- Using a range of measures from the research questionnaire, a Brand Equity Pyramid is produced for each participating brand. This pyramid represents the closeness of the relationship between consumer and brand.
- So at its most basic, consumers must be **aware** of a brand in order to have a relationship with it (awareness).
- At the next stage the brand needs to be **accepted** as one that the consumer would use (acceptance).
- The relationship is strengthened if consumers feel the brand offers a more **appealing** proposition than its competitors (appeal). At the top of the pyramid, the Holy Grail for a brand, consumers’ **affinity** with the brand is an expression of the fact that they know more about this brand than others in the category and has higher purchase consideration for it; i.e. it is the most likely brand that they would chose (affinity).
- By comparing the shape of the pyramid among those who have received the magazine and those who have not, the ‘Customer Magazine Effect’ can be calculated. This effect can be aggregated across all researched titles.
- Research showed that the Brand Equity Pyramid was stronger at every level among those receiving the customer magazine – so exposure to the customer title positively affects the brand’s performance.
- The magazine effect is strongest at the higher levels of the pyramid – significant increases emerged when comparing Appeal and Affinity felt towards those brands among readers of their magazine.
- The Affinity level measures the loyalty and commitment of consumers to the brand - are they more likely to choose it rather than competitors when they next purchase in the sector? Again, there is a significantly stronger score amongst the test group, representing **32%** stronger loyalty amongst those who read the magazines.
- The Appeal level of the pyramid measures whether consumers feel that the brand offers something more than its competitors and is therefore a more appealing proposition. The 11 point difference between the test and control groups represents a **28%** improvement over the control.

Brands have a significantly stronger Appeal and Affinity amongst customers who are exposed to the magazine



“I flick through and cut out any vouchers I can use. I’ll cut out and use some of the articles and recipes.”

FEMALE 35-44

B | Customer Loyalty and future purchase behaviour.

- Based on validations against share data, the study metrics allow predictions of what customers actually do: analysis which Millward Brown have named the ‘Customer Loyalty’ effect
- Millward Brown calculate a Customer Loyalty Score (CL score) based on the responses to the key purchase consideration questions in the study. Because this one number score has been validated against sales data, it enables a link to be made between the consumer responses and future purchase behaviour. The CL score provides a prediction of the share of each consumer’s expenditure in that category the brand will achieve.
- The CL score is consistently higher amongst customers who have read the magazine and indeed the study has found that those customers who read the magazines are likely to spend **8%** more of their expenditure for a given category on that brand. For the automotive and finance sectors, this is **5%** and **8%** respectively, and for the retail sector it rises to a highly significant **21%**.

C | Behavioural Change

- This study has proven the effectiveness of customer magazines across a range of measures. The main differentiated benefit is that customer magazines stimulate consumers to behave or act differently in some way – try a recipe, visit a store, use a voucher, buy a product – thus leading to deeper engagement in brands by consumers and proven revenue effect. On average **44%** of consumers who receive a customer magazine interact in some way with the brand as a direct result of reading the content. What they do varies by sector: the examples below are for three large sectors
- In retail, as a direct result of reading the customer magazine consumers did the following:
 - **62%** visited a store/branch
 - **51%** bought a new product or service
 - **47%** used a voucher
 - **15%** visited a department store that they would not normally shop in
 - **21%** recommended the store to a friend
- In automotive, as a direct result of reading the customer magazine consumers did the following:
 - **23%** discussed the content with a friend/colleague
 - **14%** visited a store/branch
 - **13%** enquired about a specific product/service
 - **8%** brought a new product or service
 - **5%** bought a winter car service
- In finance, as a direct result of reading the customer magazine consumers did the following:
 - **15%** called the company for more information
 - **9%** enquired about a specific product or service
 - **5%** bought a new product or service
 - **6%** visited a store or branch

APA ADVANTAGE STUDY APPENDIX

Sector-specific research results

Customer Magazine Effectiveness for the automotive sector

Customer magazines play an important role in the market strategies of manufacturers of car marques as they enable them to communicate information about forthcoming launches and build a strong relationship with customers, with the objective of retaining their loyalty when it comes to buying their next vehicle. Since the purchase of a car is an infrequent, but costly occurrence car manufacturers are keen to keep the brand front of mind and influence existing customers' decision making process when it comes to upgrading. The research revealed a significant uplift in affinity – customers having a good knowledge of the brand; appeal – offering something more than competitors; and customer loyalty. Recipients of automotive customer magazines showed an **9%** increase in affinity and an **8%** increase in appeal compared to non-readers. Customer magazines were also found to encourage customer loyalty within the automotive sector showing a **24%** increase between readers and non readers. Furthermore the customer loyalty (CL) score is consistently higher amongst customers who have read the magazine and indeed the study has found that those customers in the automotive sector who read magazines produced on behalf of a car brand are likely to spend **5%** more their of the expenditure on an automotive brand than non-readers.

- The Affinity level measures the loyalty and commitment of consumers to the brand - are they more likely to choose it rather than competitors when they next purchase in the sector? Again, there is a significantly stronger score amongst the test group, representing **32%** stronger loyalty amongst those who read the magazines.
- The Appeal level of the pyramid measures whether consumers feel that the brand offers something more than its competitors and is therefore a more appealing proposition. The 11 point difference between the test and control groups represents a **28%** improvement over the control.

Millward Brown is working with individual brands that have entered titles on the survey to use this score to help monetise the customer magazine effect. This can not be derived for the aggregate data due to the a) differing costs for producing the magazine and b) widely varying cost of brands products and services. For illustration only a highly simplified, hypothetical example has been included below:

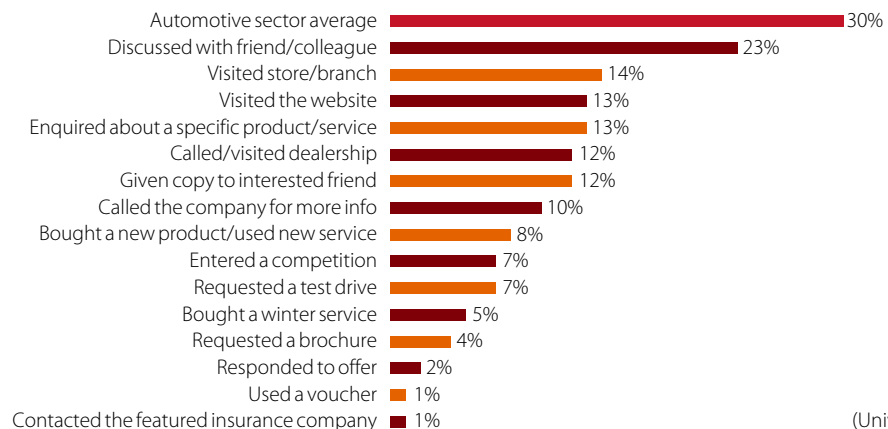
The CL score equates to a 5% increase in the probability that current customers will choose brand A when they next (average revenue figures quoted):

- purchase a car	£15,000
- have current car serviced	£500
- buy parts or accessories	£200
- total	£15,700

5% of £15,700 = £785: assuming operating profit of 10%, profit per magazine totals £78.5

N.B. only refers to profit generated by increased loyalty

A third of readers of automotive titles actively respond | Level of active response



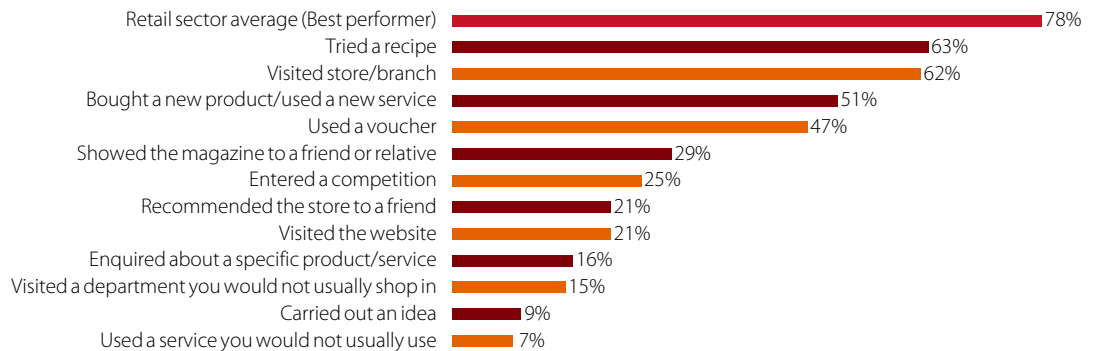
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Customer Magazine Effectiveness for the Retail Sector

Recent Mintel research showed the retail sector to be the most prolific customer publishing sector with 56 titles, accounting for almost a fifth of all customer titles. The sector is dominated by the major grocery multiples, plus the main department and variety store chains. However, currently many of the high street names have a customer magazine reflecting retailers' desire to build closer relationships with their customers and reinforce their brand. The effectiveness survey revealed a significant uplift in affinity – customers having a good knowledge of the brand; appeal – offering something more than competitors; and customer loyalty. Recipients of retail customer magazines showed an **11%** increase in affinity and a staggering **12%** increase in appeal compared to non-readers. Customer magazines were also found to encourage customer loyalty within the retail sector showing a **44%** increase between readers and non readers. Furthermore the customer loyalty (CL) score is consistently higher amongst customers who have read the magazine and indeed the study has found that those customers in the retail sector who read magazines produced on behalf of a retail brand are likely to spend **21%** more their of the expenditure on a retail brand than non-readers.

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8 in 10 readers of retail titles actively respond | Level of active response

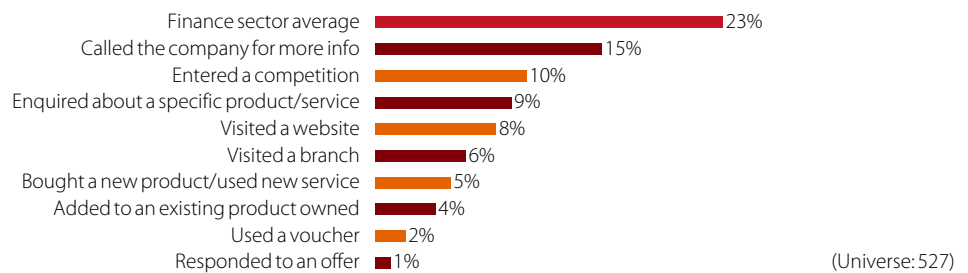


Customer Magazine Effectiveness for the Financial Services Industry

The financial services industry continues to be one of the most prolific customer publishing sectors; currently accounting for almost a seventh of total market share, coming second only to the retail and distribution sector. Currently there are 41 financial service customer titles many of which are produced by major banks and building societies. Almost all high street banks have at least one customer magazine and most have several in order to target certain customer groups for example, business customers, students, mortgage customers and account holders with saving products. Customer magazines are popular in this sector as they provide an ideal channel for financial service companies to explain complicated financial products and services to consumers. The research revealed a significant uplift in affinity – customers having a good knowledge of the brand; appeal – offering something more than competitors; and customer loyalty. Recipients of automotive customer magazines showed an **9%** increase in affinity and a staggering **12%** increase in appeal compared to non-readers. Customer magazines were also found to encourage customer loyalty within the retail sector showing a **36%** increase between readers and non-readers. Furthermore the customer loyalty (CL) score is consistently higher amongst customers who have read the magazine and indeed the study has found that those customers in the finance sector who read magazines produced on behalf of a finance brand are likely to spend **8%** more than those who do not read magazines.

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Response levels in the finance sector: a higher ticket, less frequent purchase | Level of active response





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