

NEW

# Measuring Media Efficiency

## Assessing Media ROI

### Throughout the Purchase Funnel

All marketers want to optimize their return on investment.

Just as consumers are now being forced to make tough choices about the goods and services they really need, marketers are taking a hard look at media allocations to determine which combination of media is going to give them the biggest bang for their advertising dollars.

To this end, MPA asked Marketing Evolution to update learning on their 2006 analysis of 20 cross-media accountability studies. Marketing Evolution added 18 additional cross-media accountability studies and went beyond analyzing effects to focus on return on investment (ROI). Their analysis offers new learning and the potential for a more results-oriented approach to media planning.

#### OVERVIEW

Marketing Evolution found that when analyzing ROI across the 38 studies:

- TV leads in cost efficiency for brand awareness, and the efficiency of magazines is a close second to that of TV
- Magazines generated a superior cost per impact (CPI) for brand familiarity; TV and online performed similarly at roughly double magazines' cost per impact
- For purchase intent magazines yielded a far more efficient cost per impact than TV or online
- While each category showed a unique profile, across the individual categories studied (auto, entertainment, electronics and pharmaceuticals) the overall pattern held
- Magazines most consistently generated a favorable cost per impact throughout the purchase funnel, followed by TV

Based on the findings, Marketing Evolution recommends an important change to media planning. They advocate utilizing an "impact-based" approach that starts with allocating the most efficient medium based on impact, rather than beginning with the most efficient medium based on "eyeball exposure" (or, said more formally, "impression delivery").

The new results reinforce Marketing Evolution's earlier conclusions about the importance of using multiple media in the mix and the valuable role that magazines play in driving results. (Findings from the earlier study, "Measuring Media Effectiveness," are available at: [www.magazine.org/advertising/accountability](http://www.magazine.org/advertising/accountability).)

## Scope of Work and Methodology

- Marketing Evolution aggregated data from 38 advertiser-commissioned cross-media accountability studies from late 2004 through mid-2008. Each study assessed observed effects and ROI for the brands' advertising while they were in-market.
- Media in this analysis included consumer magazines, television (network, syndication, cable and/or spot) and online (banners and rich media).
- Television was the dominant element in the advertising mix. Overall, the average budget allocation consisted of 80% in television, 15% in magazines, and 5% in online.
- Marketing Evolution analyzed actual results for brand awareness, brand familiarity, and purchase intent. These are the stages of the purchase funnel where advertisers focus the most attention. (Note: the purchase funnel illustrates consumer responses across the various phases of the purchase decision process. More information on the purchase funnel can be found in "Accountability: A Guide to Measuring ROI and ROO Across Media" and "Accountability II: How Media Drive Results and Impact Online Success," available at [www.magazine.org/advertising/accountability](http://www.magazine.org/advertising/accountability).)
- In analyzing ROI, Marketing Evolution assessed impact and efficiency. Impact is expressed as the average number of people impacted. Efficiency was measured in two ways:
  1. Average number of people impacted per \$1,000 spent. This direct measure of ROI lets a marketer look at a spending level and quickly answer the question "How many people did I influence at this spending level per medium?"
  2. Cost per impact (CPI). CPI measures how much a marketer has spent per person influenced. This calculation allows a marketer to start with a goal of how many people they need to influence and then calculate how much to spend to achieve that goal.These two efficiency measures (average number of people impacted per \$1,000 spent and CPI) are different sides of the same ROI coin, i.e., the two figures are related.
- Advertising categories in the overall database included automotive, entertainment, electronics, pharmaceuticals, retail and software. For a category to be reported individually it had to have at least two studies with directionally similar findings.

Note: The Definitions of Terms on page 11 offers additional information on concepts used by Marketing Evolution.

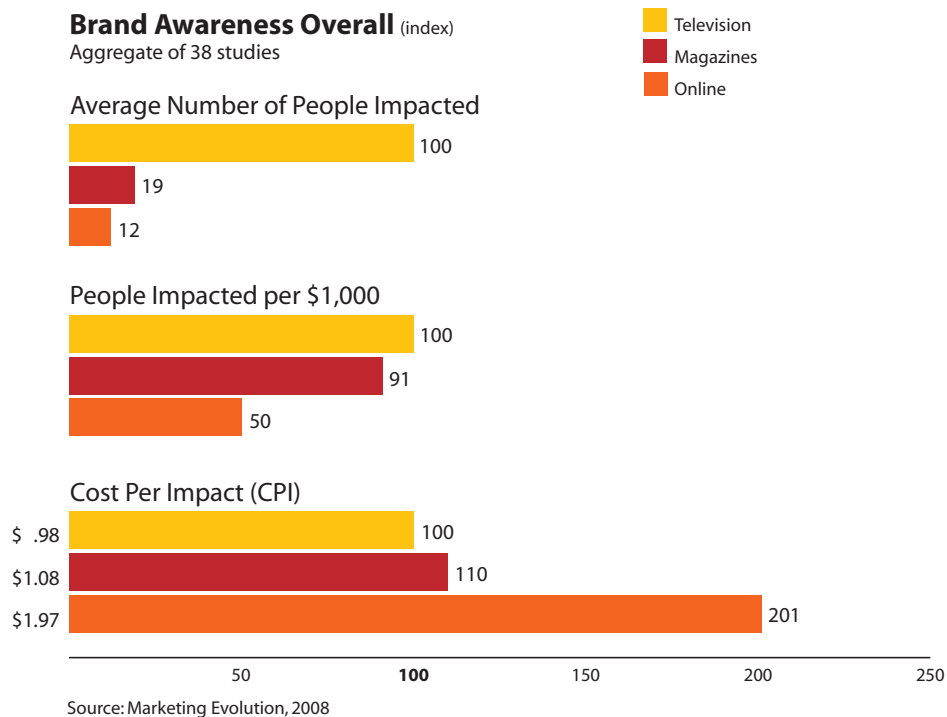
**OVERALL FINDINGS**

**Brand Awareness**

Brand awareness measures the degree to which exposure to advertising increases a consumer’s mentions of a brand. While ad awareness is measured primarily in high involvement categories (such as automotive and pharmaceuticals) brand awareness is typically asked in every study. As a top-of-funnel measurement, brand awareness does not necessarily indicate that consumers have a favorable opinion about the brand or that the consumer intends to buy the brand; rather, brand awareness indicates that the advertising made the brand more top-of-mind (or salient) for consumers.

**For brand awareness the cost efficiency of magazines is a close second to that of TV.**

- Because it held the lion’s share of the budget (80%), television led magazines and online in the average number of people impacted
- Regarding efficiency, magazines came close to matching TV’s average number of people impacted per \$1,000 spent and CPI



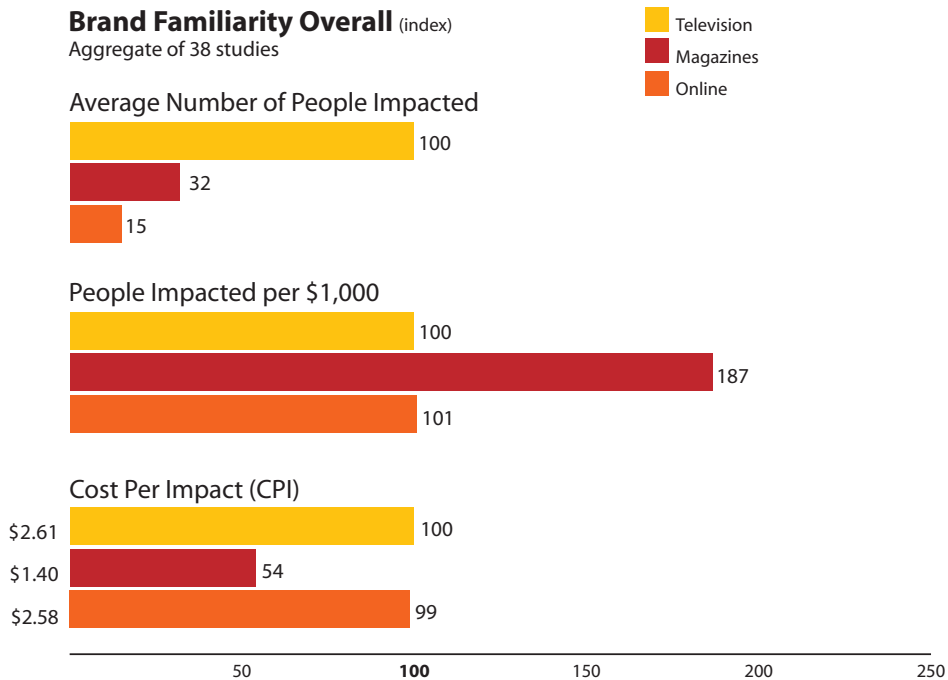
**OVERALL FINDINGS** *continued*

## Brand Familiarity

Brand familiarity measures the degree to which advertising increases the percentage of consumers who say they know of the brand. This is measured on a scale ranging from very familiar, somewhat, not very, or not at all familiar.

**For brand familiarity magazines generated dramatically superior ROI (impact per dollar spent) and CPI than either television or online, which had comparable results to one another.**

- Consistent with its dominant percentage of the budget, TV surpassed magazines and online in producing the average number of people familiar with the brand
- Magazines yielded a significantly higher index than TV or online when it came to the average number of people impacted per \$1,000 spent
- Magazines provided a CPI for brand familiarity almost half that of television and online



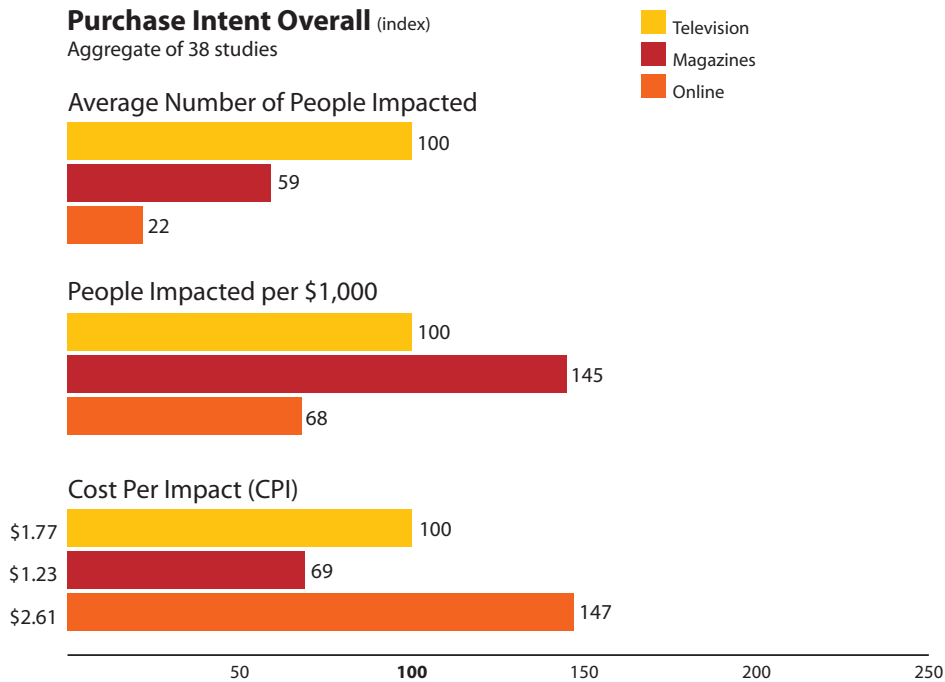
**OVERALL FINDINGS** *continued*

## Purchase Intent

Purchase intent is the stage of the purchase funnel most closely associated with a consumer’s likelihood to take action. The consumer is asked to indicate how likely he or she is to purchase the brand. Purchase intent is the most common advertising objective for brands.

### For purchase intent magazines produced the lowest CPI across the 38 studies.

- TV impacted a higher average number of people who indicated they intended to purchase the product or service, as expected, based on TV’s high percent of budget
- Magazines indexed half again as high as TV and more than twice as high as online for the average number of people impacted per \$1,000 spent
- Magazines yielded a CPI for purchase intent a third lower than television and less than half that of online



**OVERALL FINDINGS** *continued***Consistency Across the Purchase Funnel****Magazines most consistently produced a low cost per impact, followed by TV.**

An analysis of how often each medium generated the lowest CPI throughout the purchase funnel for the four categories studied showed that magazines outperformed TV and online when looking at the number 1 ranking as well as the combined ranking for numbers 1 and 2.

**Overall Media Performance Across Categories for CPI**

Based on Number of Times Each Medium Ranked #1, #2 or #3 Throughout the Purchase Funnel

	Media Rank		
	# 1	# 2	# 3
TV	5	6	3
Magazines	8	5	2
Online	2	4	6

Base: Automotive, Electronics, Entertainment and Pharmaceutical Categories  
Source: Marketing Evolution, 2008

**Category Specific CPI Rankings by Medium**

	Overall	Automotive	Entertainment	Electronics	Pharmaceuticals
<b>Brand Awareness</b>					
TV	1	2	2	1	1
Magazines	2	3	1	2	2
Online	3	1	3	3	n/s
<b>Brand Familiarity</b>					
TV	3	3	1	2	n/s
Magazines	1	1	3	1	2
Online	2	2	2	n/s	1
<b>Purchase Intent</b>					
TV	2	3	2	1	2
Magazines	1	1	1	2	1
Online	3	2	3	3	n/s

n/s = not significant

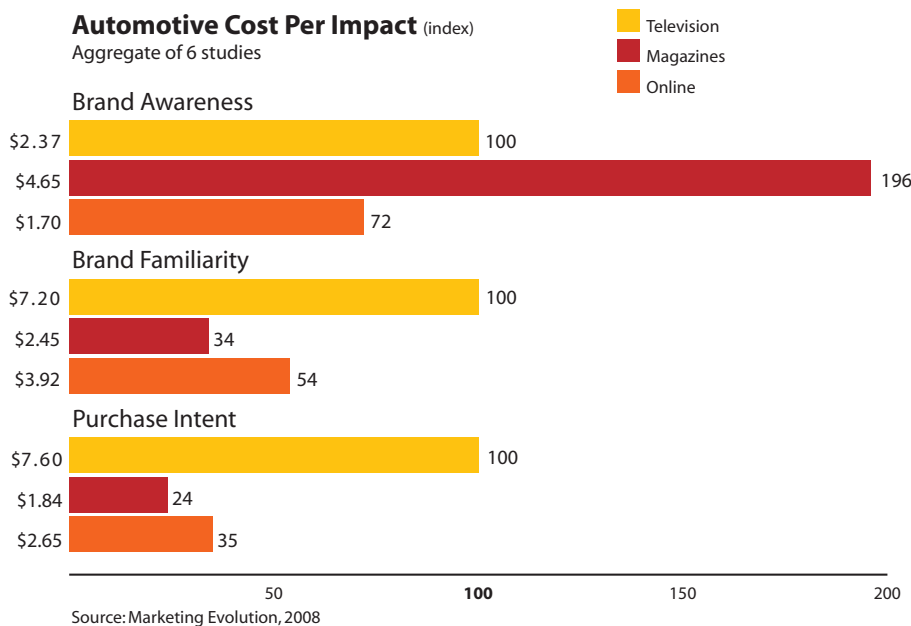
Source: Marketing Evolution, 2008

**CATEGORY-SPECIFIC FINDINGS**

**Automotive**

Across six studies encompassing domestic and imported cars and trucks, including new launches and repositioning of existing brands, analysis showed:

- Online produced the lowest CPI for Brand Awareness
- Magazines had a superior CPI for Brand Familiarity—two-thirds that of TV and nearly 40% less than online
- Magazines also had the lowest CPI for Purchase Intent—three-quarters that of TV and about one-third the CPI of online



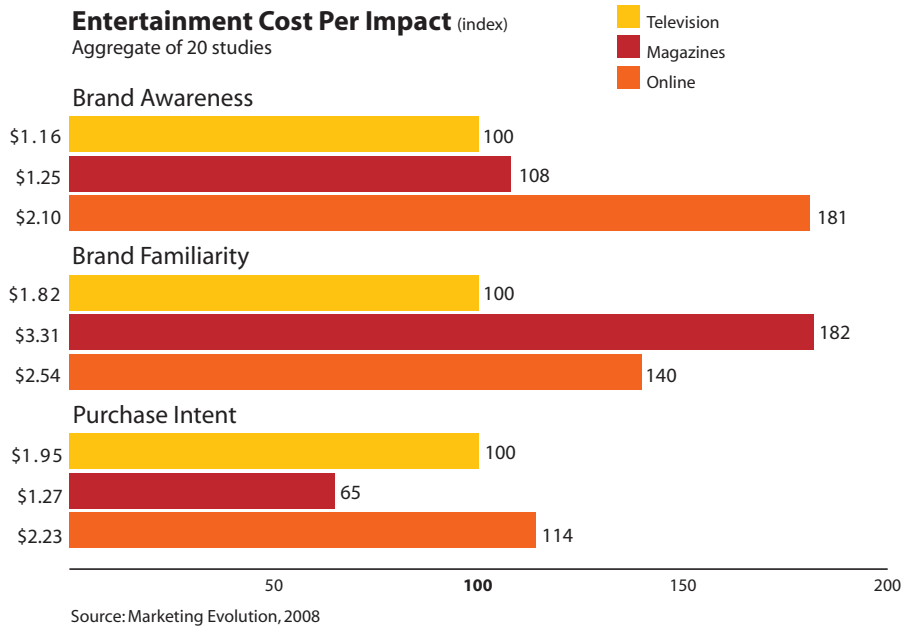
**Entertainment**

Looking at 20 studies including DVD releases, TV show promotion, and theatrical releases revealed:

- Television and magazines were nearly equal in CPI for Brand Awareness
- Not surprising given the category, Television was more efficient than magazines and online for Brand Familiarity
- Magazines had significantly lower CPI than TV or online for Purchase Intent

See chart on next page.

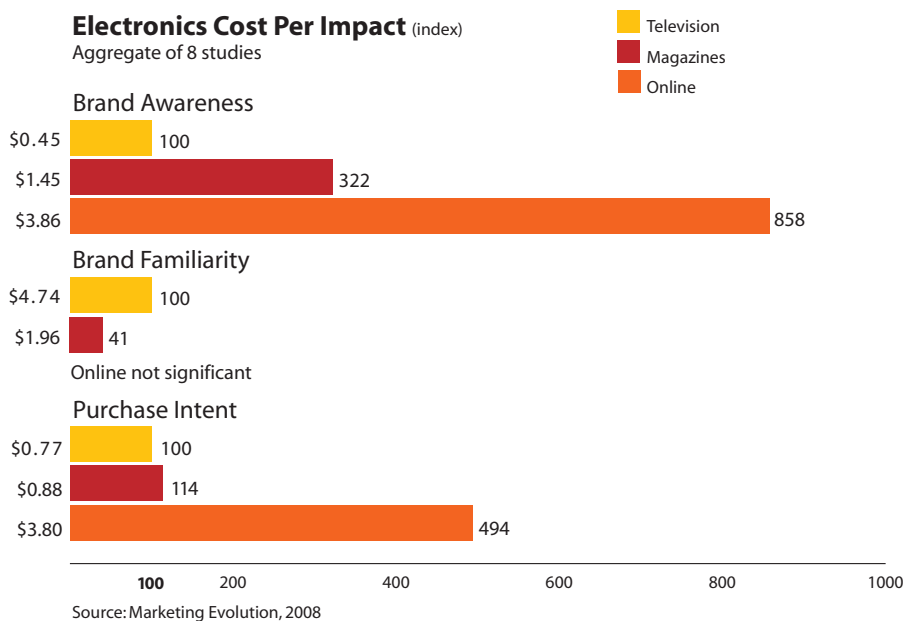
**CATEGORY-SPECIFIC FINDINGS** *continued*



**Electronics**

Eight studies, including personal electronics items ranging from cell phones to electric toothbrushes, disclosed:

- TV had a significantly lower CPI for Brand Awareness compared to magazines and online
- Magazines’ average CPI for Brand Familiarity was less than half that of TV
- TV and magazines were relatively similar in CPI for Purchase Intent, while online was more than four times higher than either

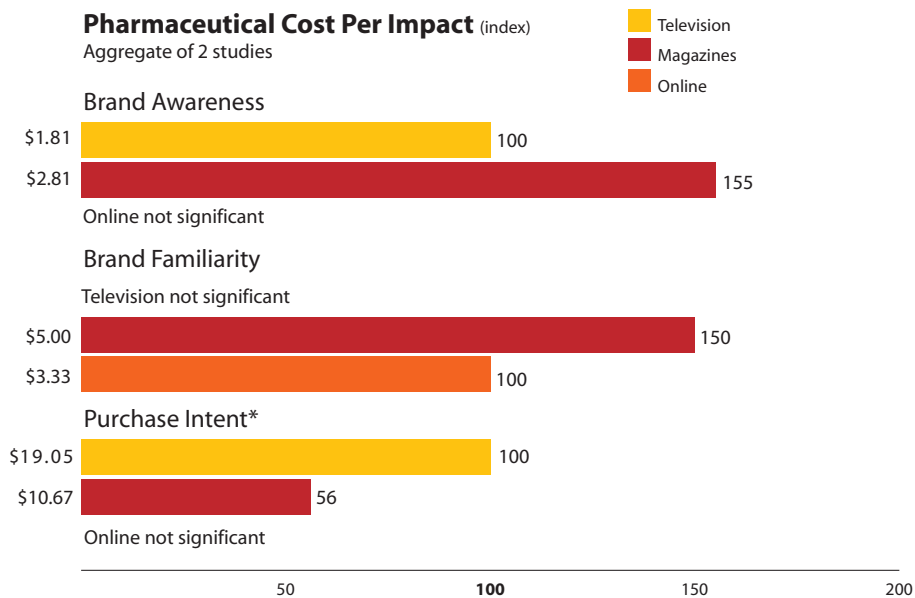


**CATEGORY-SPECIFIC FINDINGS** *continued*

## Pharmaceuticals

Two studies with directionally consistent findings showed:

- Television produced a lower CPI for Brand Awareness compared to magazines
- Online produced a lower CPI for Brand Familiarity compared to magazines
- Magazines’ average CPI for Purchase Intent was almost half that of TV



## IMPLICATIONS

### Importance of Media Mix

Findings from the latest analysis showed that each of the three media—magazines, TV and online—incrementally contributed to advertising impact. These new results reinforce Marketing Evolution’s earlier conclusions about the power of multiple media in the mix, which Marketing Evolution describes as “surround sound marketing.”

Marketing Evolution explains “surround sound marketing” by using the analogy that each medium, like each speaker in a surround sound stereo system, produces the greatest impact when working in a coordinated fashion. Using this principle, Marketing Evolution notes that marketers can leverage media so that the effect of combined media is greater than that which any one medium can produce by itself.

**IMPLICATIONS** *continued*

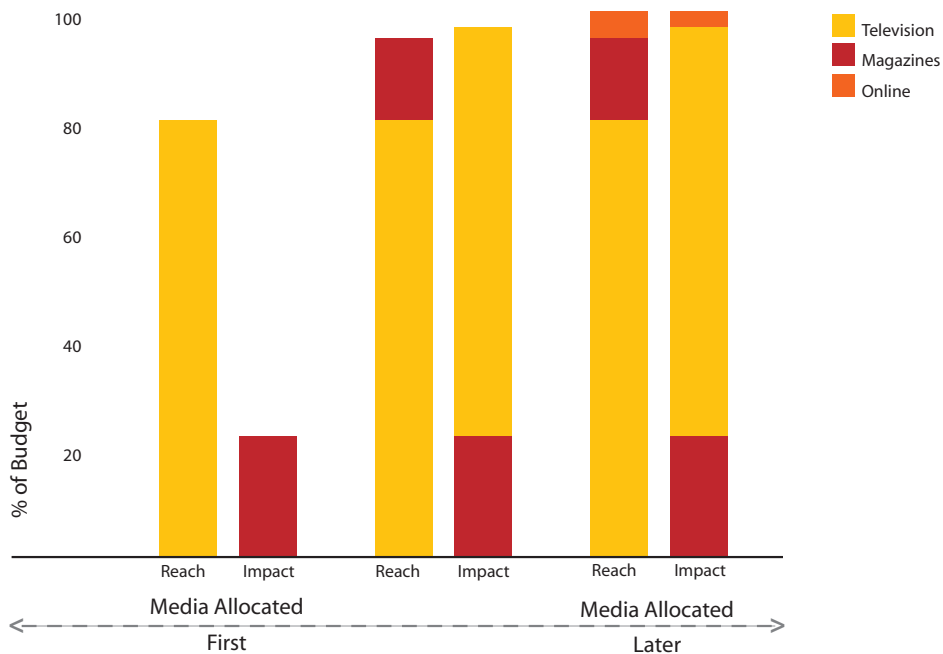
**Importance of Using an “Impact-Based” Media Planning Approach**

Given advertisers’ increased interest in improving ROI, Marketing Evolution recommends using efficiency of impact as the key criterion in budget allocation to maximize plan results. This represents a different approach to the way media planning is typically practiced, because today media planning usually focuses on either media reach or “eyeball efficiency,” i.e., getting impressions/exposure (but not necessarily impact) as cheaply as possible, rather than examining efficiency of impact for the relevant stages of the purchase funnel.

According to Rex Briggs, CEO, Marketing Evolution, “impact-based” planning is consistent with best-practice economic optimization theory. “Impact-based” planning yields the best bang for the buck by laying down the budget for the medium with the lowest cost per impact first and then moving on to the medium with the next best ROI and so on until either the desired impact is reached or the budget is exhausted.

Based on Marketing Evolution’s findings, if marketers use an “impact based” planning approach, magazines would be allocated first in most instances. In addition, the budget allocation for magazines would likely increase compared to current levels.

**Schematic of Impact Based Planning vs. Reach Based Planning Approach**



## DEFINITION OF TERMS

**Average Number of People Impacted:** This metric is calculated by multiplying the difference seen in the shift between exposed and control groups in the effect of a medium times the number of people reached by that particular medium. The higher the number, the better.

The average number of people impacted generally relates to the size of the budget allocated to a medium, i.e., a medium with a higher budget will affect more people than one with a lower budget simply as a result of greater media weight.

**Impact = Effect (expressed as a percent) x Media Reach (expressed as a percent for a specific target audience) x Population of the target audience**

Using an example where the lift in Brand Awareness attributable to the medium is an increase of six points, the reach of the medium is 35%, and the target audience is 80 million people:  
 $6\% \times 35\% \times 80 \text{ million people} = 1.68 \text{ million people impacted on average by medium}$

**Average People Impacted Per \$1,000 Spent:** This calculation lets marketers examine the specific “return on marketing objective,” looking at the total number of people affected by a medium at each stage of the purchase funnel per \$1,000 spent. Again, the higher the number, the better.

**Number of People Impacted by Medium/Total cost of medium x \$1,000 = ROI Efficiency**

Using the results from the above calculation where the number of people impacted by the medium is 1.68 million, and the total cost of the media is one million dollars:  
 $1.68 \text{ million people impacted by Medium} / \text{Total cost of medium } \$1,000,000 \times \$1,000 = 1,680$

**Cost Per Impact (CPI):** This reflects the cost to affect a single person with a given media channel. CPI offers an alternative way to think about the cost efficiency of a medium. In this case, a lower number is advantageous.

**Total Cost of Medium/Total People Impacted = CPI**

Again, as an example, the number of people impacted is 1.68 million and the total cost of the medium is one million dollars:

$\text{Total Cost of Medium } \$1,000,000 / 1.68 \text{ million People Impacted by medium} = \$0.60$

Notes:

- Average people impacted per \$1,000 spent and cost per impact are measures of ROI efficiency, while average number of people impacted assesses effects without consideration to budget.
- The results for each medium reflect how an advertiser used the medium, including media selection and creative, as well as the cost paid for that medium.

**Marketing Evolution**, [www.marketingevolution.com](http://www.marketingevolution.com), a leading marketing ROI research and consultant firm, helps companies better understand and quantify the role different media play in moving a prospect through the funnel to “buy” in the increasingly complex world of media-planning and investment. Marketing Evolution has a client list that reads as a “Who’s Who” of A-list brands.

**Magazine Publishers of America (MPA)** is the industry trade association for consumer magazines. Established in 1919, MPA represents more than 240 domestic publishing companies with approximately 1,200 titles, more than 40 international companies, and more than 100 associate members.

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Measuring Media Efficiency: Assessing Media ROI Throughout the Purchase Funnel.

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