The mystery of prices for magazine advertisements

Analysis finds a gaping disparity in ad revenue between comparable magazines and opportunities for revenue growth despite digital disruption

media

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Magazine ad prices are a thorny issue, and are easy to get wrong. Making best use of available data like reader characteristics and circulation rate base is essential to getting ad prices right.

Changing ad prices has enormous revenue and profit potential for magazines, but also carries considerable risks. Set prices too high, and loyal advertisers will quickly become ex-customers. Set prices too low, and magazines will leave money on the table. To determine the optimal rates, take a closer look at the competition.

Let's look at two very similar magazines, *Golf Digest* and *Golf Magazine*. Both write about the latest news and trends in golf. Both publish twelve issues per year. Both even sell for about the same price.[1]

Last year *Golf Digest* had a circulation of 1.65 million and took in $125 million from advertising. Meanwhile, *Golf Magazine* had a circulation of just 1.4 million yet took in $156 million from advertising. In other words, *Golf Magazine* achieved 47% more advertising revenue per copy than *Golf Digest*, despite being nearly indistinguishable from a reader's point of view. (Full disclosure: the authors actually prefer reading *Golf Digest*).

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And this isn't an anomaly.

Simon-Kucher & Partners, a global strategy and marketing consultancy that specializes in pricing, conducted an extensive review of advertising and circulation trends at leading U.S. consumer magazines with data published by the Association of Magazine Media and Publishers Information Bureau. A selection of the findings is included in the table below.

Leader	Follower	Premium *(ad revenue / copy)*
People	Entertainment	155%
teenVOGUE	seventeen	79%
GQ	DETAILS	78%
FOOD&WINE	bon appétit	76%
Bloomberg Businessweek	The Economist	62%
GOLF MAGAZINE	GolfDigest	47%
TIME	Newsweek	36%
ELLE	VANITY FAIR	36%

[1]According to Amazon, Golf Digest sells for $4.99 per copy on newsstand while *Golf Magazine* sells for $3.99 per copy

Simon-Kucher found that *People* achieves a staggering 155% higher advertising revenue per copy than its entertainment counterpart *Entertainment Weekly*. *Teen Vogue* gets 79% more than like-minded *Seventeen*. *GQ* has a premium of 78% over sartorial rival *Details*. What's more, *Time* even earns 36% more than its foe *Newsweek*.

Magazines have two levers to grow their advertising revenue per subscriber, namely volume (number of ad pages) and price (average rate per page). Price is a critical driver of this advertising revenue disparity between comparable magazines. Magazine publishers ought to focus on improving their price performance.

Case in point: in 2011 *Golf Digest* sold 844 ad pages, roughly equivalent to *Golf Magazine's* 832. Meanwhile, *Golf Magazine* charged a list price of $140 per thousand copies for one of those ad pages, versus just $94 at *Golf Digest*.[2]

Let's look at the impact of improving price performance. At magazines like *Southern Living* and *Seventeen*, the price of a one-page print ad runs as low as $70 per thousand copies. Meanwhile, at high-end magazines like *Harper's Bazaar* or *W*, prices can reach upwards of $200 per thousand copies. If *Seventeen* managed to close just 10% of their gap in price against *W* without losing ad pages, that would mean an extra $23 million per year in revenue.

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Four questions should guide magazine publishers as they navigate this 'Wild West' of pricing and try to survive (or even grow) in these tumultuous times:

1. **How well do you know your perceived value relative to competitors?** Why do advertisers choose your magazine relative to their other options? Are you a "cheap date" or a "last resort" when they allocate their spending? These questions should always be asked from the customer's perspective. The competitive set should include not just other magazines, but also digital and online options.

2. **How well do you understand your customer segments and their specific needs?** By segmenting your customers and learning how they behave, you can better target your offers, hone your marketing messages, and figure out where you do (and don't) have room to adjust your prices.

[2]Based on Simon-Kucher analysis; list prices gathered from company websites

3. **How well do you differentiate prices based on a segment's willingness-to-pay?** Get creative. Some options worth considering include: time (i.e. how far in advance the advertiser commits), content (i.e. what the ad says), relationship to the customer (i.e. new versus existing customer), amount of exclusivity, or industry. Some of these options might not work, but our point right now is to stimulate more discussion to break away from the factors (like size, color, placement, volume commitment) that magazine traditionally use to differentiate prices.

4. **How can you switch from selling products to selling solutions with better bundles?** Magazines need to reorient their portfolios toward selling advertising solutions. This could involve integrated advertising bundles that span online, print, and tablet. It could also mean bundling in value-added services like graphics production to help advertisers re-design their print ads for the tablet or data on consumer engagement and advertising ROI.

One further complication: how can magazines protect their ad revenue as readers continue migrating to digital platforms? With digital (tablet and online) advertisements achieving far lower prices than print, magazines should rightly be worried about trading print dollars for digital dimes.

This does not mean print ads are necessarily over-priced or a vanishing source of revenue, though. Magazines should first start comparing the prices of their print ads to those of print competition (and digital ads to those of digital competition). From this vantage point, there's still plenty of opportunity ahead for most magazines to make more money from advertising.

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*William Poundstone - *Priceless: The Myth of Fair Value (and How to Take Advantage of It)*, January, 2010