

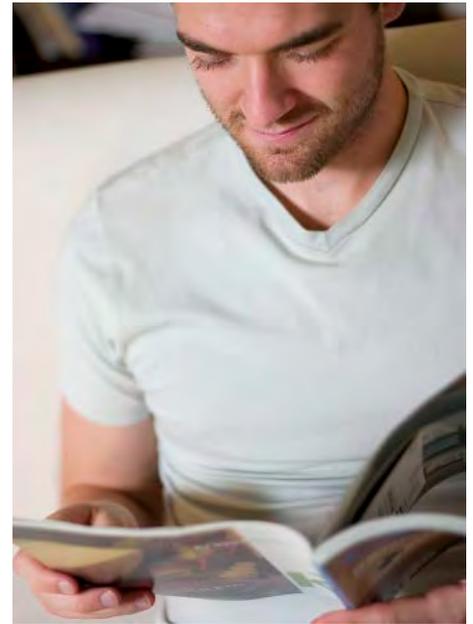
Magazine Resilience At Retail

~ A Brandspark Study Review ~



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Magazine Resilience At Retail

What does magazine resilience mean? At first glance, if we look at retail today, article upon article tells us that there is limited resilience of print magazines. But a closer look tells a much different story. There's really a lot of noise out there that points to print magazines be less favourable than in past years.

So, what's the noise that's out there? Well, the entire shopping construct has changed. Retail has become more complex, shopping a lot more fractured. The pull and ease of on-line shopping has been increasing and this is hurting store visits. Shopping trip dynamics themselves have changed from 'stock-up' trips to quick item grab-and-go trips. These changes hurt sales in all of the impulse categories, not just print magazines. Combine this with the focus that not only Publishers themselves have on digital, but that stores have on e-commerce ~ more noise. In the efforts of retailers to maintain relevance with their shoppers, space changes are constant. Those space changes are affecting not only magazine sales, but also general merchandise and centre aisle sales as well. Retail has installed more self-checkouts, in essence, turning the shopper into store labour, resulting in no in-line browsing. Space changes result in less titles that appeal to less people. If you strip away all of those changes and those decreased shopping visits, you will likely find that sales of print magazines are quite resilient, it's the change in the market place that is causing the fluctuations.

Every single time a major event occurs, people go and grab their favourite magazine that had coverage on it. If there's a hot show on TV and it's spun off into a magazine, the magazine becomes a success.

Much of what's written about retail, highlights the shopper as being the center of store design. That the shopper and the consumer are driving things today. The question that I ask then, is if retail wants to make it about the shopper, should we not be asking that shopper?

We did.

Did you know that consumers still engage more with print magazines than digital, with 92% (Source: Vividata) of magazine readers in Canada reading print only, or in both print and digital? In 2017, BrandSpark conducted an independent study, sponsored by Magazines Canada, through Heritage Canada. This study took a look at consumer's perceptions of print magazines.



Magazine consumers value print and many purchase at grocery & drug retail

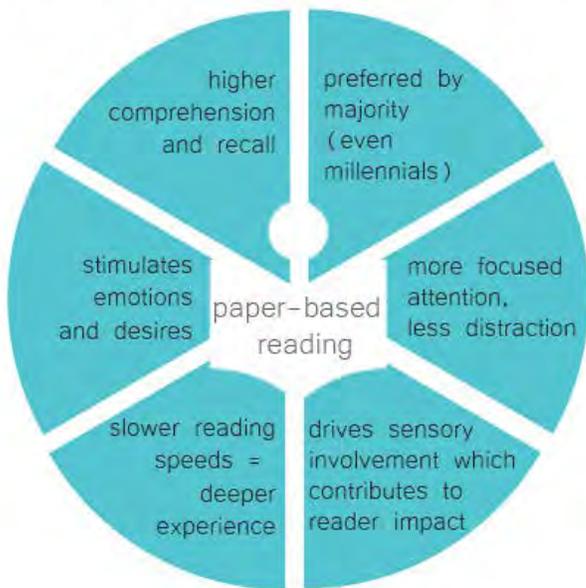


HERE ARE 8 KEY FINDINGS:

- Most readers still value the print magazine format
- Most readers are willing to pay for content in a physical copy
- Among household shoppers, retail purchase penetration continues to rival the reach of paid subscriptions
- While magazines are more likely to be purchased on a given trip to a book store or newsstand, a larger segment of shoppers occasionally purchase via the grocery & drug channels as they reach both heavy and light readers.
- Almost half of magazine purchases at grocery are impulse/basket builders
- Conversion from 'notice' to purchase is stronger than for books and cards
- Buying a magazine at grocery correlates with greater satisfaction with the trip

DID YOU KNOW...

PRINT IS A QUALITY EXPERIENCE



WITH CONTENT THAT RESONATES, CONSUMERS CHOOSE PRINT FOR ITS QUALITY & COLLECTABILITY

Maclean's Gord Downie Tribute

With 6-week on-sale continued to sell



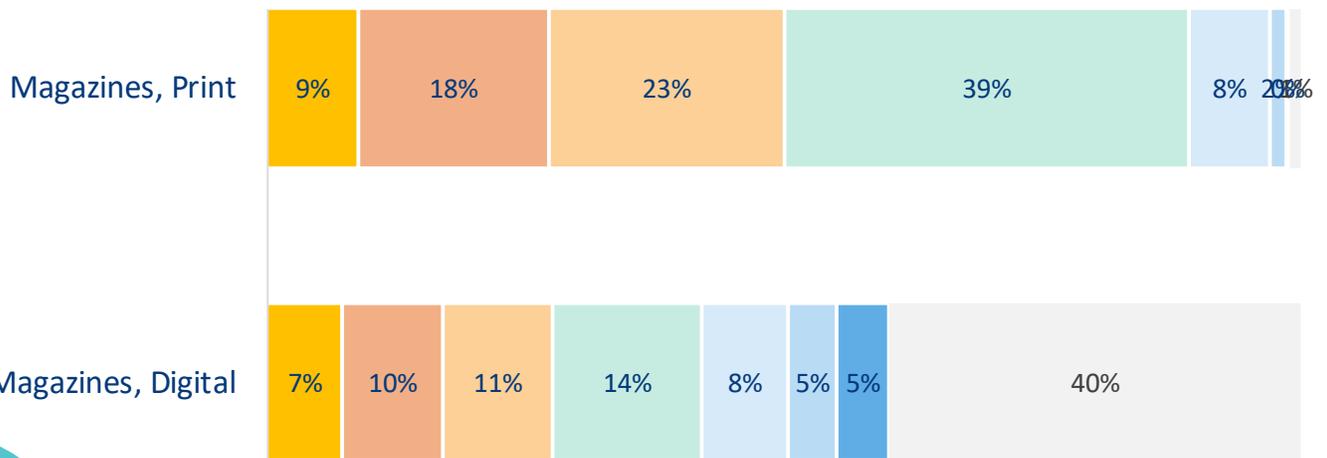
THE TOP 25 PRINT MAGAZINES REACH MORE PEOPLE THAN THE TOP 25 PRIMETIME TV SHOWS

SOURCES: NIELSEN, MPA FACT BOOK, "What Can Neuroscience Tell Us About Why Print Magazine Advertising Works". A Whitepaper from MPA - Scott McDonald PhD. Nomos Research, October 2015



SO, LET'S TAKE A DIVE INTO THE DETAILS...

In terms of media consumption, 1 out of every 2 people are reading a magazine weekly. Interestingly, Netflix gets more credit than magazine consumption, and yet, there's a higher number of people reading magazines at least once per week than people watching movies at home.



CONSUMPTION FREQUENCY

- Daily
- 1 to 3 times a week
- At least once per week
- 1 to 3 times per month
- Once every 2-3 months
- Once every 4-6 months
- Once per year or less
- I don't use this type of media

How will consumption change in the next year? Will it change? With more media vying for readers' time, there are challenges, for sure. But it's interesting to note that amongst those readers, their intent is not to change their consumption significantly. One interesting finding was that amongst the heavy magazine buyers (those purchasing once a week or more), 12% said that their intent was to purchase more magazines.



Something to think about... Magazine assortment is key to consumption and space reduction has been a common practice in the past few years, causing 50% of the shoppers polled to be unhappy with the assortment at their 'go-to' store.



Magazine Resilience At Retail

Among readers, purchase of a magazine is about more frequent than a book purchase and almost 2X more common than the purchase of video content on physical media.



The value perceived in the print copy is reflected in what readers do after reading: 6 in 10 pass on or collect the copies.

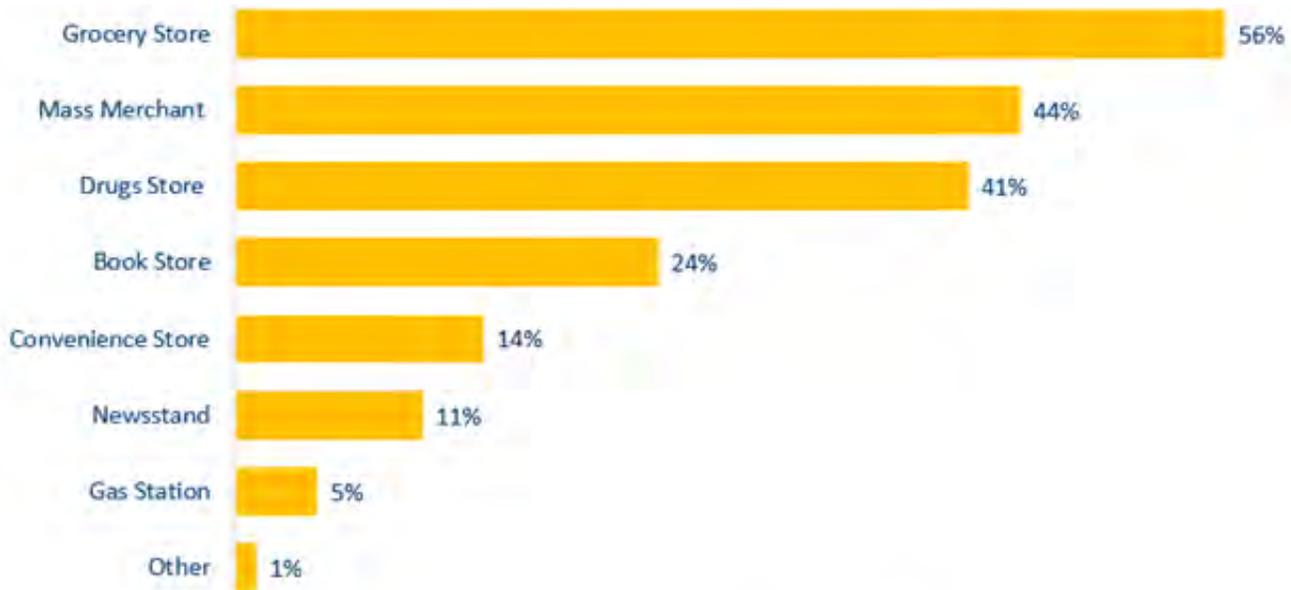
Magazine readers value the print magazine and that value also reflected in what they do with the magazine after they've read it. Obviously, heavy readers value a physical copy to an even greater degree, with almost 7 in 10 passing on or collecting copies.



Magazine Resilience At Retail

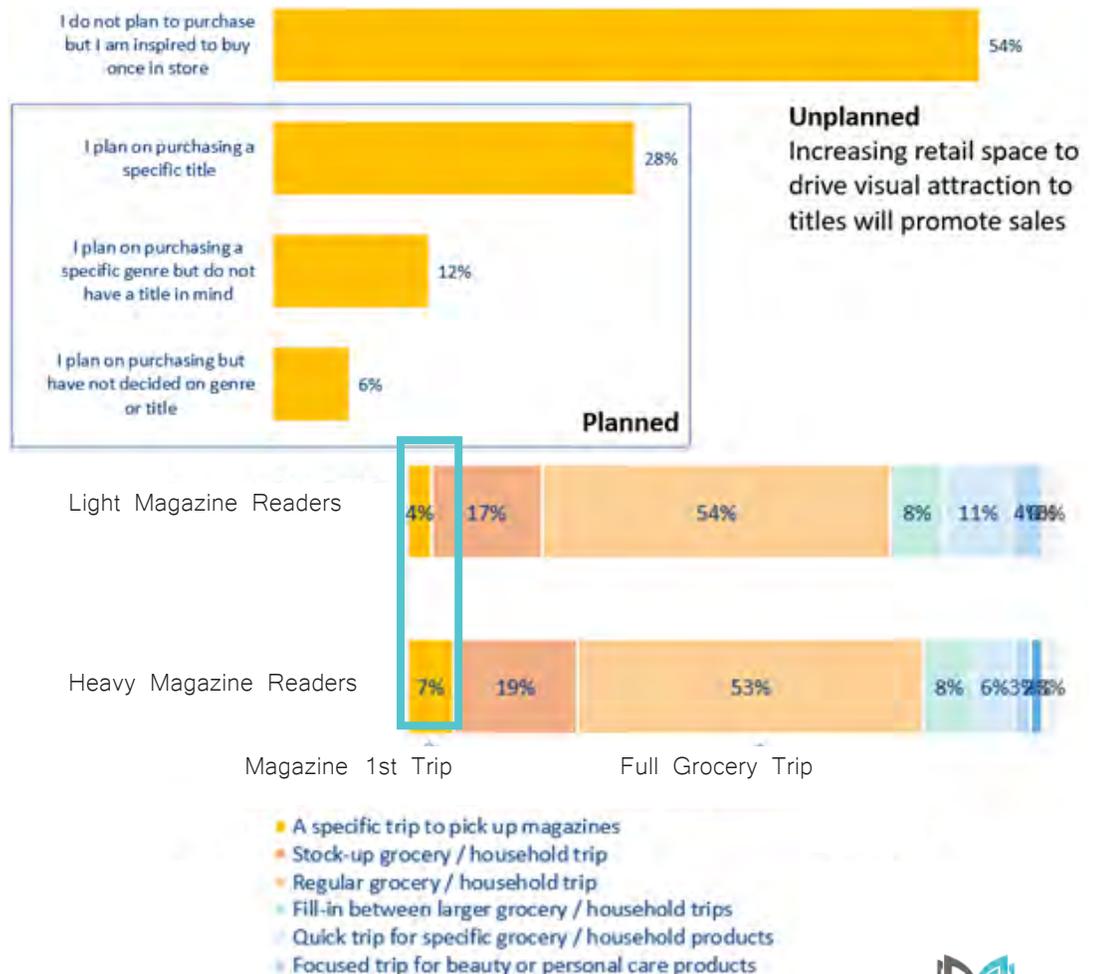
Where are consumers purchasing them?

Grocery, mass, and drug store channels are regular purchase points for magazine readers who participate in household shopping.



We were also curious, do they plan that purchase prior to that store visit?

It's actually about split, with the slight majority of magazine purchases made on impulse. 54% of buyers are inspired to buy once in store. What does this mean for retailers though? This means that incremental sales are made in addition to a shopper's purchases. What we also found interesting was that 28% have a specific title in mind prior to their shop. Of that 28%, some are being driven to a particular store because they want a particular magazine. While magazine first trips for light magazine readers of 4% and 7% for heavy magazine readers may seem somewhat insignificant, when you think of how intense the retail landscape is, a few percentage points may matter.



Magazine Resilience At Retail

Planned versus Impulse, Mainline versus Checkout

What's better to have in the store, a mainline or a checkout? With 54% of buyers being inspired to buy once they get to the store and the balance planning a purchase, there is argument for both. Typically impulse purchases come from the checkout, while planned purchases from a mainline. With both areas under attack, we see declines in both. Studies have shown that if we take out the affects of space reduction, sales of magazines are more or less flat. Wholesaler data shows that some retailers are seeing increase in magazine sales even.

At grocery, mass, and drug stores, in or near the checkout lane is the most common location from which magazines are purchased, but mainline sections, which allow time for browsing, also capture a significant share of sales.



LOCATION IN STORE

From where in STORE do you most often purchase magazines?

- In the checkout lane
- Just before the checkout lane
- In a magazine section by the front of the store
- In a magazine display within another section
- In a magazine section elsewhere in the store

INTERESTING FINDING



Magazine purchasers are more likely to be satisfied with their overall in-store experience. Read on...

EVIDENCE THAT IS ON THE SOFTER SIDE

Trip satisfaction is increased

Magazines can elevate the experience and correlate with better atmosphere. Magazine purchasers were 28% more likely to be satisfied with their overall in-store experience: Magazine purchasers are more satisfied with the wait times at checkout, even compared to others who made other checkout lane purchases. Customers who are more satisfied tend to visit retail locations. Interestingly, it was also discovered that 15% of magazine shoppers would switch stores if they couldn't find their preferred magazine.

28%



Buyers 'treat' themselves with a magazine

Suggest buying for family
Focus on experience: "curl up at home"



■ Purchased a Magazine on Last Trip
 ■ Purchased an Item That Was Not a Magazine
 ■ Did Not Purchase Anything

Magazine purchasers are more satisfied with the wait times at checkout.

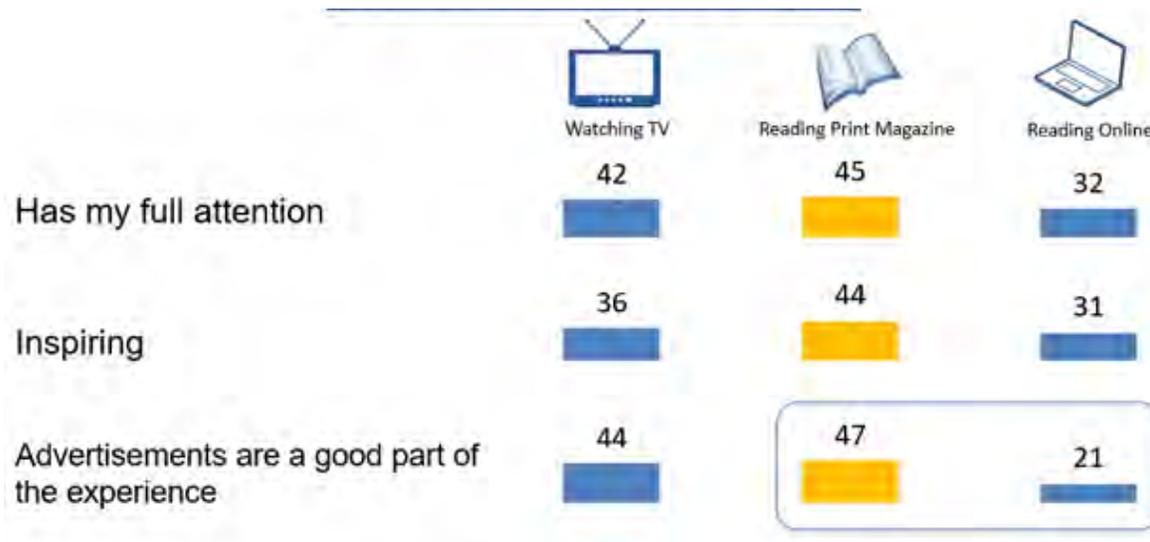
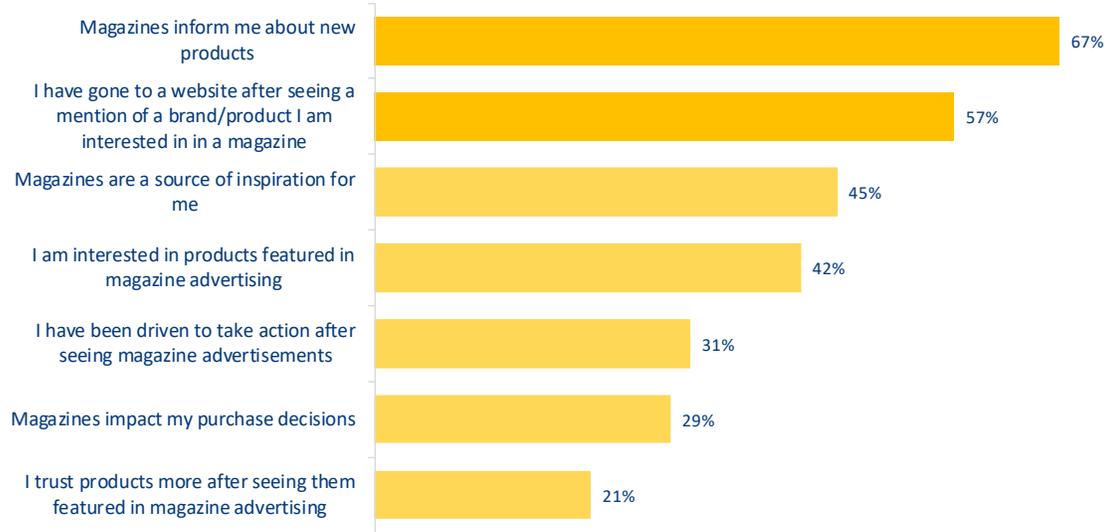


Magazine Resilience At Retail

They pay attention to the ads, they discover new products

Shoppers are more likely to report paying attention to the ads in print media than online. Ads in magazines are more likely to be considered a good part of the experience, especially when compared to digital. Print readers report that magazine ads are a major point of discovery for new products. Over 50% of readers have researched a product online after seeing an ad in print and 44% went straight to

the advertiser's website. Heavy readers are even more likely to take action than light readers. Men and women are equally likely to seek information on an advertised product seen in a magazine, though women are more likely to report clipping coupons or ads.



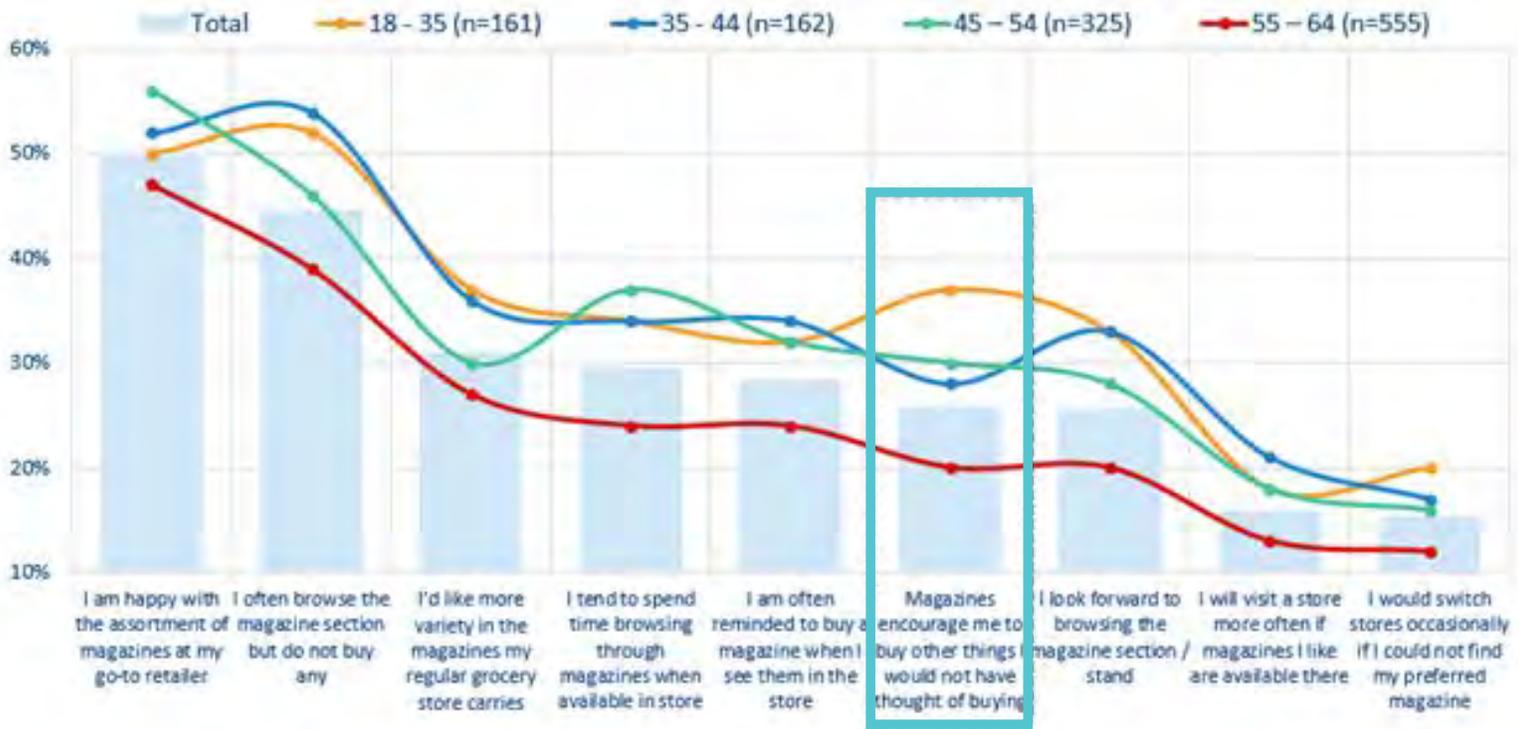
Among readers, Millennials are just as likely as older readers to take action based on the advertisements they see in magazines.



Magazine Resilience At Retail

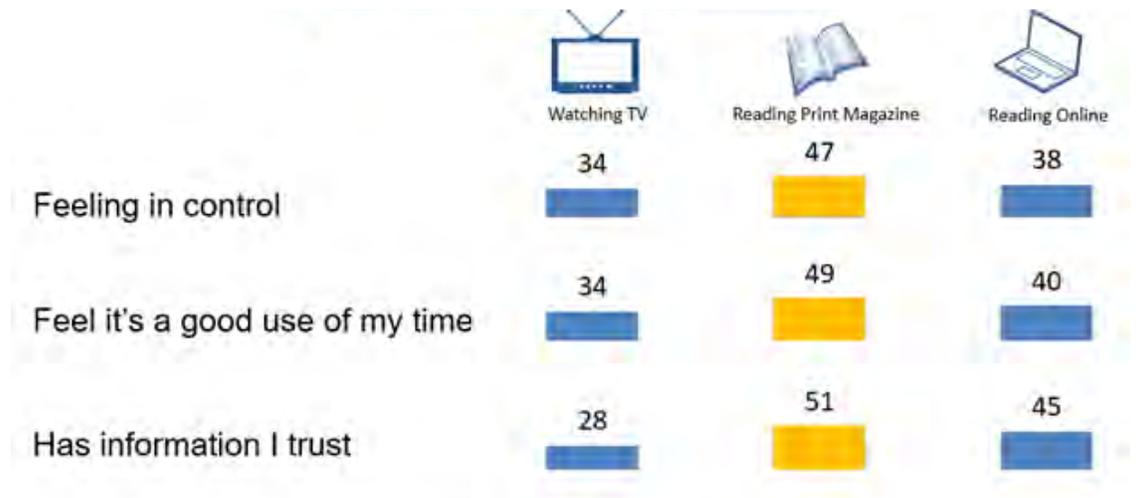
Products that are advertised in magazines, those are products that are sold at retail.

On their last grocery trip, 45% of magazine readers purchased an item they did not plan to buy: they show a greater willingness than the average shopper to make discretionary purchases. Among readers, Millennials are just as likely as older readers to take action based on the advertisements they see in magazines.



Please indicate how much you agree with the following statements about buying magazines:

Has Information They Trust... In an era of fake news and unreliable information, we see people turning toward magazines because they trust the content. Magazines are generally perceived as a more positive use of time and more trusted source of information than TV or digital media.



JUST TO SUMMARIZE SOME OF THE KEY CONSUMER FINDINGS AT RETAIL...

- Browsing at the newsstand is an in-person, tactile experience that's not possible online. It's an important route to discovery of new magazines and new interests. On average, survey respondents browsed magazines during 3.5 of their last 10 shopping trips, purchasing a magazine on 1.1 of these trips. Most commonly, buyers mentioned that magazine covers are a purchase motivator.
- About half of magazine purchases are planned to some degree, from seeking out a specific title, to seeking out a particular category of magazine, to simply seeking out a magazine in general. Top-selling titles benefit most often from planned purchases. The remaining half of purchases are impulse buys.
- Browsing and discovery of new magazines or special issues are vital to the impulse purchase, as are covers that attract and appeal to shoppers. Impulse buys are more typical among light readers than heavy readers.
- Retailers typically carry a relatively small selection of Canadian magazines, yet shoppers demonstrate a strong appetite for Canadian content. In many stores, Canadian magazines outsell their U.S.-based counterparts. In 2017, Canada 150 specials in particular were very popular.
- The research found a correlation between paid media and awareness of its origin. Readers who pay for magazine content know whether it's Canadian or not.
- Survey respondents whose shopping trip included a magazine purchase report greater satisfaction with their shopping experience.
- Magazine readers are responsive consumers. They read and act on magazine ads that attract their attention.
- Magazine readers are responsive to promotional efforts, and show a willingness to make discretionary purchases based on the in-store experience

The survey not only polled consumers of magazines, Brand Spark also talked with the Category Managers at retail that sell them.

HERE'S WHAT THE SUPERMARKET RETAILER HAD TO SAY...

- Supermarket/ grocery retailers see magazines as an impulse basket builder. They feel that sales are primarily driven by checkout lane placement and It's no surprise that a \$6.99+ magazine sale is a significant sale at checkout. Magazines 'deserve' to be on the front-end and that they are worth the space and the category management at retail.
- Outside the category, the perception is that sales are down more than the reality and without real data, it becomes a self-fulfilling prophecy.
- Sales decline is mainly attributed to space loss
- Out-of-section magazine displays have been successful at times. Driven sales lists related to more points of disruption. 'More points of disruption in store could offset sales decline'
- There is great value in promotion at the mainline and checkout



HERE'S WHAT THE LIFESTYLE & PRINT RETAILER HAD TO SAY...

- Magazines are key to being in a lifestyle store for readers, They are a traffic draw and are located prominently. In-store sales are not threatened by e-commerce as are books.
- Browsing is key to magazine sales and a comfortable environment is important
- Planned browsing leading to impulse buying is common
- It's really important to capture the zeitgeist in order to capture sales



HERE'S WHAT THE NEWSSTAND & PRINT RETAILER HAD TO SAY...

- Their stores are destinations for magazine buyers now and the locations that support immediate consumption do best
- They are seeing stable category sales now and depending upon the location, magazines are the number 1 revenue category.
- New titles need strong merchandising and that can lead to large lifts. New titles, bookazines and coffee table style magazines are capturing Millennials
- The checkout area is also important to driving sales at Newsstand
- Canadian and local magazines outperform in the category



In summary, magazines attract shoppers, increase basket size and enhance the shopping experience

HERE'S WHAT'S RECOMMENDED

- Communicate this information to anyone that will benefit from knowing.
- Leverage the information to increase sales:
 - Increase visibility. Shoppers do judge a magazine by its cover, but first they have to see the magazine rack. Ensure the rack is visible.
 - Create a comfortable browsing space. Shoppers given an accessible location with the comfort to browse will buy more.
 - Cater to the diversity. Your shoppers are all different, with different tastes. Appeal to them by having a large, varied selection
 - Promote pizzaz! Shoppers love special pricing, special editions, timely event tie-ins, loyalty points and creative merchandising. Give them an experience.

Magazine Resilience At Retail

We do have control how well this category will do in the future. We also have control if it will grow. By increasing the visibility and browsability at retail, giving priority placement to those magazines that have high sales and profitability potential, we attract the buyers that are more influential, purchase higher baskets and are innovators in consuming behaviour. In other studies, suggestions are to create a store-within-store concept with signage that pulls the magazine buyer in. Other recommendations are that by creating more points of disruption, more opportunities for discoverability within a store, consumers are exposed to lifestyle titles that will appeal to them as they navigate through the store. The result would be a richer shopping experience and enhanced magazines sales. Matching product interest to content interest could be another way to appeal. For example: Special editions beside seasonal goods, kids titles near lunch snacks, cooking titles in the specialty foods section, etc.

As the diversity of consumers and shoppers increases, so too must the diversity of titles. A greater variety appeals to a larger group of people and a higher turnover of titles creates a sense of “exciting and new”. Shoppers want to find novelty and specificity among titles. This too can enhance experience. Just think how many brands of milk there are and how often this changes. Shoppers typically don’t buy milk on impulse because they like the packaging. They do that for magazines, however.

Shoppers have been conditioned to shop for promotions and as such would take advantage of these, were they available. However, we see time and time again how special editions gain excitement, timely event tie-ins and creative merchandising bring uptick in sales. Other opportunities would be to tie in with loyalty points. Promotional space not only drives magazine sales, but is a positive in the eye of the retailer also.

All of these things can be leveraged and will go toward enhancing the shoppers’ overall experience at retail, creating more repeat customers and shopper evangelists.

