



The Loyalty Challenge: How Magazine Subscriptions Work

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With retail sales becoming increasingly volatile, where does subscribing fit into consumer purchasing patterns for magazines? That question lies at the centre of a major research project commissioned by PPA in association with Royal Mail. Brandlab ran a series of focus groups and a major online quantitative survey to find out what is actually going on. The result is a new report “The Loyalty Challenge – How Magazine Subscriptions Work” which is outlined here by Brandlab’s Managing Partner, Jim Bilton.

The Magazine Purchasing Context

Modern consumers form a very difficult “moving target” – time-pressured, difficult to define & characterise, less brand loyal and often wanting conflicting things from their lives and their product consumption. Running through all the focus groups is a knowing cynicism about the marketing techniques used by publishers. They know what publishers are after and they recognise that the commitment of a subscription has a real value and they want something in return.

The magazine market straddles a wide range of magazine types where the purchasing patterns can vary considerably from sector to sector. Yet as a general rule, magazine subscribers tend to be more information-driven than retail buyers and to have a more stable repertoire of titles. Subscribers also exhibit demographic differences from retail buyers, tending to be older and more upmarket consumers with more settled lifestyles. These basic distinctions are well-known, but the research shows that some of them have become more pronounced. For example, subscription purchasing has become much stronger among men than women, reflecting perhaps the shift into women’s weeklies away from the monthly sector. Also, subscribing has become much stronger in relative terms among the older age groups than among the young, who remain troubling in terms of their erratic purchasing patterns and their unwillingness to pay for media in a free internet culture.

The “repertoire consumer” is very much a theme of the whole research project. Not only is there an increasingly complex repertoire of magazines that consumers buy from, but there is a repertoire of channels as well. Most subscribers (70%) use both the

subscription and the retail channels at the same time for their magazine requirements. They flick from one to the other very naturally and comfortably depending on what they want at any particular time. Understanding and responding to this is central to modern circulation management.

The Subscription Process

The research provides some detailed insights into the whole subscription process:

- 70% of subscribers buy their magazine from retail before subscribing to it. This “retail phase” lasts for an average of 17.1 months. The average frequency of copies read during the retail phase is 7.5 issues out of 12.
- Subscription consumption is rising: the average number of subscriptions held is now 1.9 per person in comparison to 1.6 recorded by Royal Mail research in 1995.
- Yet the average length of the subscription lifetime is getting shorter, slipping to an average 3.1 years from 3.4 years recorded in 1998, although this figure varies markedly from title to title.
- When the subscription lapses, 45% of subscribers fall back into buying the magazine from retail again, but normally at a reduced frequency.

All this underlines the fact that the retail sales and subscriptions are increasingly intertwined in the channel repertoire of the magazine reader. Consumers do not make the major distinction between a subscription and a retail sale that publishers themselves do in the way that we budget and structure our own internal organisations. Consumers do not live in silos and publishers should not work in them. All this makes lifetime value modelling much more complex, as consumers can flick backwards and forwards from channel to channel, altering their purchasing frequency as they move through their lifetime with the magazine.

The Characteristics of a Subscription

Both subscribers and non-subscribers were asked in the quantitative survey what they saw as the main advantages of subscribing over buying from retail. Both groups see the same characteristics in a subscription, but these factors have different levels of importance in their magazine purchasing processes (see table below) with non-subscribers being very price and gift driven.

“Subscriptions are cheaper than buying from a shop. That’s what they’re for. Why else would you do it?” (men’s specialist magazine buyer)

“I think that there ought to be a big discount. A subscription has to be cheaper than the shops. They’re having my money upfront, so I really want a discount on that. They’re getting interest on my money. So what do I get? It must be a good, good discount.” (women’s general magazine buyer)

Relative Importance of Key Subscription Characteristics		
Characteristic	Subscribers	Non Subscribers
Uninterrupted supply / Never miss an issue	High	Low
Convenience of not having to go to a shop	High	Low
Price discount below shop prices	High	Very High
Early supply before retail copies	Mid	Mid
Additional benefits / Subscriber club	Mid	Low
Free gift	Low	High
Money back guarantee	Low	High

Buying a Subscription

The research provides many detailed insights into how, where and why consumers buy subscriptions. Yet in general terms, buying a subscription is seen as being very straightforward if a little boring – a sensible option rather than an exciting one. In the purchase process itself, there is a growing consumer comfort with both direct debit and the internet, although there are pockets of consumer resistance to both.

Direct debits are an interesting example of how it is becoming increasingly difficult to generalise about subscription audiences. A men's general magazine reader in one of the focus groups voiced a common feeling: *"Direct debit is easy. You just sign up and forget about it. It's like getting a free magazine each month. There's no pain."* Yet there was a small, but significant opposition to this view, as expressed by a women's specialist magazine buyer: *"Everything is all about direct debit these days. They want to get you to pay that way. And then they hope you'll forget and just let it run. I use direct debit to pay my gas and electric, but I wouldn't use it to pay for a magazine....I just wouldn't do that."*

When looking at specific subscription offers (the focus groups were given "live" subscription offers to discuss), there were some very strong and interesting views as to what was plausible and what would make them buy.

The Subscription Experience

To many consumers, subscribing is all about price. This makes the whole process seem very cold and businesslike – a transaction rather than a relationship. It also means that the subscription is in danger of turning into a commodity channel where price is everything rather than there being any added value benefits: *"I know that subscribing is cheaper than buying it in a shop, so it makes sense...but I think that they ought to make subscribing special like having a free gift or money-off discounts. Or something like a different article. Something that you don't get in a shop copy. Because at the end of the day, if you're subscribing, you want to feel special."* (women's specialist magazine buyer).

If subscriptions are just about price, then publishers will be forced to offer increasingly deep discounts in a world of BOGOFs.

Another linked issue is loyalty. Consumers can clearly see that the best prices are being offered to new customers. Publishing is perceived to run on a business model which is similar to mobile phones or mortgages where consumer loyalty is at best ignored or at worst is penalised.

The Potential for Subscription Growth

The majority of non-subscribers (64%) have not actively rejected subscribing, but simply need more convincing. In addition, gift subscriptions offer significant growth opportunities, but consumer awareness of them appears to be relatively low and the gifting process could be made to be more of an “event” and to give the recipient more choice and freedom in their title selection.

Conclusions

There are a several themes that recur repeatedly through the research.

- It is clear that the pricing of subscriptions has become a massive issue for the magazine industry as the consumer has been trained to think that below-retail pricing is what subscribing is all about. Yet if the price discount is stripped away, then what is left in the average subscription offer to make it special? Why should consumers subscribe?
- Linked to the issue of price is the whole area of loyalty. Consumers are very much aware that the magazine industry tends to penalise loyalty by offering the best prices to new consumers. There is no anger in their reaction to that – simply a pragmatic and cynical recognition that this is how the publishing business model works. Yet their reaction is why should they show any loyalty to publishers in response. Current publisher practice is not creating any emotional capital or “glue” between reader and magazine.
- The modern consumer demands the right to choose in all aspects of their shopping. They like the idea of flexible magazine subscriptions which they can stop and start, of taking short “breathers” from the subscription or of switching from magazine to magazine when they feel like it. Paying money upfront does not seem to be a massive barrier to subscribing; feeling locked into buying one product is.

Giving the consumer what they want (and the research has a wishlist of things that the consumer would like to see in a magazine subscription) may not always be practical or economically viable for publishers. Yet to ignore completely what they want, which some publishers seem inclined to do, is commercial suicide.

So, there is the opportunity to turn a subscription from a cold, business transaction into a real relationship, from a “contract” into a “service”. When that happens, then loyalty will flow automatically. That is the real subscription challenge for the industry.