

NEW

Understanding Magazine Circulation

A Guide for Advertising Buyers and Sellers

Circulation plays an important role in advertising, so understanding the various components of a magazine publisher's statement is key to a productive dialogue between advertisers and publishers. In order to help facilitate communication, **Understanding Magazine Circulation** offers insights on key strategic concepts in circulation. Questions for buyers to ask publishers are provided to encourage constructive discussions.

Topics covered in this guide include:

- What magazine circulation is
- Why circulation is audited
- What is included on a circulation statement
- Issue-by-issue circulation
- Factors that affect distribution and sales levels
- What subscriptions sold means
- How price is defined
- Circulation segmentation



Defining Circulation

Circulation is the number of copies of a publication that are distributed into the marketplace. It may include copies of the publication that are sold to consumers, as well as copies targeted to specific individuals or locations at no cost.

Circulation is initially reported in a **publisher's statement** (a.k.a. "pink sheet"), which reflects the publisher's best estimate of the number of copies being distributed for a specific six-month period of time: January through June or July through December. Audit service bureaus then analyze the publisher's statements for accuracy and issue their findings in an **audit report** (a.k.a. "white sheet"). Audit reports are generally published on an annual basis.

Comparing Circulation and Audience

Sometimes questions arise about the differences between circulation and audience. While circulation measures the number of copies of a magazine, audience reflects the number of readers of a magazine, which can be defined as:

$$\text{Circulation (Average \# of Copies)} \times \text{Readers-per-Copy} = \text{Audience}$$

As a result, circulation and audience reflect different measures. Circulation reports information about magazine copies distributed. Audience reports information about readers, as measured via syndicated readership studies and/or subscriber studies that provide information—from demographic characteristics to accumulation curves to product usage data. Therefore, magazine audiences may be compared to the audiences of broadcast or other media that use consumer-based measures, while circulation cannot.

Why Circulation Is Audited

Since 1914, when the Audit Bureau of Circulations (ABC) was founded, circulation has been audited to validate circulation accuracy based on the number of copies being distributed and sold. Advertisers rely on circulation audits to verify the number of copies distributed and whether the manner in which they are distributed and sold meets their expectations. ABC and BPA Worldwide (BPA) are the two major magazine circulation audit bureaus in the United States.

What Circulation Statements Include

A circulation statement shows an estimate of how copies of publications are distributed and sold during a six-month period. Key information on a circulation statement includes:

- **Average paid circulation:** Copies for which payment has been received, including newsstand purchases, subscriptions and/or sponsored subscriptions
- **Average nonpaid circulation:** Magazine copies sent at no charge to the recipient or location (verified circulation)
- **Total average circulation:** Average number of copies of a publication—paid and nonpaid—that are distributed and sold during a six-month period

Average Paid Circulation

Newsstand

Copies sold at newsstand reflect the *estimated* number of copies sold through a variety of retail outlets at the time covered by a publisher's statement. The audit report indicates the *actual* newsstand sales for the magazine. The terms "single copy" and "retail" are used interchangeably with "newsstand."

More than 125,000 retail outlets sell magazines in the United States—from supermarkets to airports to corner newsstands. Reporting actual newsstand sales data depends on receiving timely sales data from these retailers. Larger retailers, such as supermarket chains and mass merchandisers, generally have sophisticated systems that aid in reporting newsstand sales on a thorough and timely basis. Smaller retailers, however, may not have the systems in place to report their magazine newsstand sales as quickly.

Subscription Copies Served

Subscription copies served reflect the number of "paid" subscribers who receive a specific copy of a publication during the time period covered by the publisher's statement.

Sponsored Subscriptions

Sponsored subscriptions reflect subscriptions sold to one or more businesses that want to provide "added value" to targeted individuals or public places. All copies or subscriptions purchased in quantities of 11 or more, which promote the professional or business interests of the purchaser, are considered "sponsored" subscriptions. For example, a high-end department store might purchase subscriptions to a fashion magazine for its best customers.

Average Nonpaid Circulation

Verified Circulation

Verified circulation, an ABC circulation category, refers to magazine copies sent at no charge to the recipient that are targeted to public places and individuals who may have an affinity for the editorial of the magazine. For example:

- Public place copies may go to healthcare professional waiting rooms, beauty salons or gyms
- Recipients of individual verified copies might be high-level museum donors or season ticket holders

ABC has specific requirements for verified circulation that must be included on a publisher's statement, including:

- The publisher must provide analyses of public place locations (where copies are going) and individual subscriptions (the affinity of the targeted individual)
- The publisher is required to notify a recipient that he or she will be receiving the subscription and give him or her an opportunity to decline and discontinue the subscription, a.k.a. opt-out

Total Average Circulation

Over a six-month period, total average circulation reflects the average number of copies of a publication that are distributed and sold. Total average circulation is calculated by looking at:

- Number of copies per issue
- Number of issues in the reporting period (frequency)

$$\text{Number of Copies} \div \text{Number of Issues} = \text{Total Average Circulation}$$

Issue-by-Issue Circulation

Because subscriptions are sold for multiple issues of a publication over an extended period of time, fluctuations in overall circulation from one issue to the next are generally driven more by the patterns of newsstand sales than by those of subscriptions. Nonetheless, how subscriptions are sold can affect issue-by-issue trends, as subscriptions may rise and fall in proportion to the timing of efforts to sell new subscriptions. For example, subscriptions are often given as holiday gifts, which may result in an increased number of new subscription copies being sent in January and February.

Newsstand sales may vary based on:

- **Seasonality** related to consumer shopping behavior, e.g., food preparation at holidays, fashion purchases in spring and fall, etc.
- **Cover popularity**, which can be driven by rising or falling interest in featured celebrities or events such as the death of a popular personality or natural disasters
- **Interest in special issues**, such as annual lists or event coverage, e.g., Olympics or elections
- **The economy**, because consumers may cut back on purchases of discretionary products like magazines when their budgets are squeezed by inflation
- **Harsh weather and other natural phenomena** that affect the ability to deliver magazines to subscribers and retail outlets and that influence consumer shopping behavior

Questions to consider when discussing changes in issue-by-issue circulation levels include:

- What factors may have driven issue-by-issue fluctuations?
- Are there seasonal patterns that are typical for the publication (and, if so, what causes them)?

Factors That Affect Distribution and Sales Levels

Several factors can affect a publisher's decision about how many copies of a publication should be distributed and sold and whether distribution should be left at its existing level, increased or decreased. The factors include:

- **Desire to affect the composition of the audience** by increasing or reducing copies delivered and sold to a particular demographic or geographic segment
- **Changes in demand**, based on population shifts or evolving interests. For example, demand in parenting titles may rise and fall based on birth rates, demand for titles that cover fad hobbies may reflect how popular that fad is, etc.
- **Cost to distribute copies**, based on postal rates, shipment charges (including fuel surcharges), or other similar considerations

- **Materials costs**, such as paper and ink
- **Trends that affect consumer retail behavior**, such as economic pressures that impact consumers' purchases of discretionary items. For example, higher gas prices may reduce trips to the store as consumers seek to conserve gas, resulting in fewer retail buying opportunities.

Questions to consider when talking about distribution and sales levels include:

- What are the drivers for changes in circulation, e.g., Did the desire to evolve audience composition affect circulation?
- What factors may be affecting consumer demand, such as changes in demographics or retail behavior?

Defining Subscriptions Sold

Subscriptions sold reflect new and renewal magazine orders for delivery to a specific individual at a specific address received by the publisher during the publisher's statement's six-month time period.

The six-month period is important to look at because subscriptions are sold for a defined term—the number of issues that the subscriber agrees to buy. Marketing strategies drive the length of time for subscription offers, for example:

- Short-term subscriptions might be offered to encourage trial purchase
- Longer-term offers might be used as an incentive to shield subscribers from anticipated price increases

Differences Between Subscription Copies Served and Subscriptions Sold

Subscription copies served (see page 3) and subscriptions sold in the same period differ because:

- The subscriptions sold during a six-month period are usually only a portion of total magazine subscription copies served during that period. Many active subscriptions may have been sold prior to the specific six months reflected in the publisher's statement.
- Subscriptions sold also includes subscriptions sold on a "bill me later" basis. The consumer may not fulfill his or her end of the contract to pay for the subscription, even though the publisher may deliver copies in good faith. "Bill me later" copies are not included as paid or verified circulation within copies served.

This example helps illustrate the differences between subscription copies served and subscriptions sold: A one-year subscription to a monthly magazine—12 issues—was received in March 2006 by the publisher, and the subscriber received his or her first copy in April. The subscription sold would only be reflected on the January to June 2006 publisher's statement. The 12 copies, though, would be served over three different publisher's statements—starting with the April 2006 issue:

- Three copies would be reflected on the January to June 2006 publisher's statement
- Six copies would be reflected on the July to December 2006 period
- Three copies would be reflected on the January to June 2007 period

Additional Subscription Circulation Information

Post-Expiration Copies

Post-expiration copies—a.k.a. arrears—refer to copies of magazines that publishers send to subscribers after the term of their original subscription runs out. Audit rules limit the number of post-expiration copies that may be counted, based on the length of the underlying subscription. Publishers may choose to use post-expiration copies as part of their renewal strategy to increase response to renewal solicitations.

Premium Incentives

Publishers sometimes offer premiums to drive trial use and renewals. Subscriptions sold using premiums are disclosed in one of two ways: editorial—content reprinted from the magazine (e.g., a recipe booklet, tax planning brochure)—and noneditorial, such as a branded coffee mug or branded tote bag.

How Price Is Defined

“Average annualized price” (noted on ABC statements) refers to the average price of all paid subscriptions sold for a 12-month period, less the value of any premiums made in the subscription offers.

It is important to note that the 12-month period for “annualized average price” on the ABC statement reflects the year that precedes the period being reported. For example:

- Average annualized price in a June statement reflects the preceding calendar year, e.g., a June statement reflects subscriptions sold January through December of the previous year
- Average annualized price in a December statement reflects both the July to December period for the previous year, plus the January to June period of the current year

“Average price paid” (noted on BPA statements) refers to the average price of all paid subscriptions sold for the six-month period reported on the statement, e.g., average price paid on a January to June publisher’s statement refers to the subscriptions sold in the same January to June publisher’s statement. Unlike on the ABC statement, price on the BPA statement includes the cost of any premiums included in the subscription offer.

A publisher will set price based on a number of factors that may include:

- Desire to encourage trial purchase of the magazine among potential new buyers (newsstand or subscription)
- Anticipated price sensitivity, such as:
 - Competitive price points
 - Changing economic conditions
 - Expected demand for particular issues, e.g., special commemorative issues

Note: Several research studies have indicated that price paid for a subscription does not necessarily predict the relationship a reader has with a magazine, based on examination of factors related to engagement (such as average page exposure and frequency of reading) as well as on advertising awareness or actions taken (such as website visits, purchase intent, etc.). Said another way, third-party research indicates that a subscriber who pays a higher price is not more likely to be engaged in or act on magazine advertising than one who pays a lower price.

Circulation Segmentation

A publisher's statement provides data that allow marketers to understand better how and where a consumer obtains a magazine and who is receiving it. The statements segment data in multiple ways:

- How a consumer obtains a magazine—paid or nonpaid segments, including newsstand, subscription, sponsored subscription or verified
- Geographically
- Demographically

Geography

All publisher's statements identify geographic information by state. Some also show circulation by population density (based on A.C. Nielsen's A, B, C or D county definitions). In addition, if a magazine sells advertising editions by region or city, circulation breakouts for these editions are shown as well.

County level and state data typically reflect all copies distributed in the geographic area. Regional or city copies may or may not reflect all copies, e.g., they may only include subscription copies of the magazine.

Some publishers, upon request, will provide advertisers with segmentation beyond what is regularly reported. Situations in which such data may be requested include planning for test markets or inputs for accountability analyses. Requests are usually made for designated market area (DMA) breakouts that allow the advertiser to align magazine data with data from other media.

Demography

Magazines that offer demographic editions provide information about who receives those copies of the magazine. Typical breakouts for demographic editions include:

- **Income** (generally for magazine editions targeted to high-income consumers)
- **Gender** (e.g., a female-select version of a business publication)
- **Occupation** (usually targeted to professional groups, such as business executives, physicians, etc.)

Questions to consider when discussing circulation segmentation include:

- What copies are included in regional or city breakouts—newsstand and subscription or subscription only?
- What capabilities exist for additional geographic breakouts beyond those regularly available?
- Why do you produce a demographic edition?
- How did you select the readers that receive the demographic edition?

Related Resources

The Value of Magazine Readership: Reader Dynamics and Ad Impact on Readers of Pass-Along Copies shows that readers value pass-along copies and take action at a similar rate as readers overall.

The Value of Magazine Readership: Reader Dynamics and Ad Impact on Readers of Paid and Nonpaid Copies shows that how much a consumer pays for a magazine or how the magazine was acquired does not affect the level of magazine engagement or likelihood to act on advertising.

The Magazine Handbook provides facts and figures about how magazines—alone or with other media—can help advertisers achieve marketing goals. The Magazine Handbook includes information such as magazine effectiveness studies, circulation trends and magazines' editorial strengths.

Magazine Publishers of America (MPA) is the industry association for consumer magazines. Established in 1919, MPA represents more than 240 domestic publishing companies with approximately 1,400 titles, more than 80 international companies and more than 100 associate members. Staffed by magazine industry specialists, MPA is headquartered in New York City, with an office of government affairs in Washington, D.C.

For further information on magazine circulation, please contact Anne Finn, Senior Vice President, Consumer Marketing, at afinn@magazine.org.

For information on Audit Bureau of Circulations (ABC), please visit www.accessabc.com.

For information on BPA Worldwide (BPA), go to www.bpaww.com.

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