

Do You Know Your Real CPM? (Cost per Motor-Head)

How to figure advertising cost per thousand

A White Paper

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CPM

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When I talk with automotive and performance company executives, they can tell me to the penny what it costs to buy material used in the production of their products. It always surprises me that when I talk to these same executives about advertising costs, many have little awareness of what their company is spending, even though they may be laying out hundreds of thousands of dollars—or even millions—per year.

Measuring media costs doesn't take a Ouija Board. It does take asking a couple of specific questions:

- **Who is Your TARGET AUDIENCE?**
- **Who are most likely to specify, by brand, the kind of products you sell?**

The next step is to develop a description, or profile, of the typical consumer who buys your products.

Here is a sample profile for a turbo charger manufacturer that makes turbo's for Ford, Chevy and Mopar blocks. Notice that this profile includes everything from what the product is to expectations on delivery and performance.

“XYZ Turbo Company's typical consumer is a motor-head who works on hot rods or race cars powered by Ford, Chevy and Mopar engines. He may do his own engine work or contract for it with a professional engine builder. He wants a unit that will work on the track and on the street. To him price is secondary to performance. Availability is not as much an issue as reliability. He thoroughly investigates the performance products he buys and expects to pay for performance and quality. He is content to wait a few weeks for delivery of the turbo unit.”

Once you have developed your specific customer profile, the next challenge is to find the media that best reaches that customer. Media analysis was fairly easy when there were just a few magazines to reach car and truck enthusiasts. Today, media choices include, not only a multitude of car and truck magazines, but cable television shows and website advertising.

Magazines typically offer data about their readers (and television about their viewers) and those statistics can dramatically help narrow the search. One way to quickly determine the value of each media choice is to look at the editorial content. If the magazine, TV series, or Internet site has editorial content of high interest to the kind of target audience you are trying to reach, chances are it's a good choice to evaluate.

Example: A magazine, TV show or Internet site may frequently deal with professional performance engine work and related subjects. Others may focus on content covering DIY hands-on engine performance work. Some may have terrific coverage about domestic and international styling and engineering trends, but rarely get into the art of powering engines. That does not mean that DIY engine-building consumers may not read those broad-scope magazines or watch those TV shows devoted to motor-sports, automotive life style, or surf similar Internet sites.

However, when you buy ads in this broad-based media to reach your narrow target audience you may not be aware that you are paying for the entire audience (whether you want them or not) and if you are a manufacturer who makes specialty performance parts and tools you *need* to know!

Professional media buyers use a measurement technique called CPM analysis to measure the cost-per-thousand that any magazine or TV Show delivers.

CPM, or cost per thousand, works like this: CPM is figured by dividing magazine readership or TV audience into the media cost, times 1,000.

Example: XYZ Turbo Company's advertising manager has determined that three different car magazines offer editorial content of high interest to his target consumers. Here is the magazines' breakdown:

The formula to use is: $CPM = \frac{\text{Cost} + \text{Audience}}{1,000}$

Magazine	Full Page color	Readership	Readership ÷ 1,000	CPM
	1-TIME cost			
Magazine #1	\$5,150	698,707	698.7	\$7.37
Magazine #2	\$7,807	694,425	694.4	\$11.24
Magazine #3	\$12,300	739,024	739.0	\$16.64

A short cut to figuring CPM: drop the last three digits in the total audience number and divide the remainder into the cost per 4-color full-page ad or 30-second TV commercial.

Assuming these three magazines deliver the same kind of audience of DIY engine building enthusiasts, it's easy to see that Magazine #1 is the most efficient buy. That does not mean that the other two magazines should not be considered, but prudent strategy would put considerably more budget in Magazine #1 than either of the other magazines.

Comparing Magazines to Television

Professional media buyers usually compare the CPM of one four-color ad in a magazine to one 30-second commercial in a TV show. While this may seem like comparing nuts to screws, it's the conventional approach. If you are in this situation, be sure that the magazine editorial and the TV show editorial content match as closely as possible.

The main issue is doing your homework so that you are as aware as possible of just how much each show's audience is actively involved in buying the kind of products you have.

Example: This exercise is to evaluate advertising in a car enthusiast magazine, such as Magazine #2 used in our illustration above, and comparing it to TV advertising.

We will call the hypothetical TV show “Ramblin’ Rods,” a series that covers how-to performance projects such as turbo installations. One 30-second commercial on this series has a one-time play cost of \$1,650. It reaches a total viewing audience of 310,000.

The CPM for this buy is \$5.32. ($\$1,650 \div 310,000 \times 1,000 = \5.32) Comparing this CPM to the one time four-color ad in our Magazine # 2 indicates the CPM of the magazine is \$11.24, or more than twice the cost per thousand of the TV commercial.

Although this is seldom done in the advertising business, breaking the analysis down even further results in “**Real CPM**”, or in our industry, “**Cost Per Motor-Head.**” You simply divide the cost per thousand by 1,000 to find the cost to reach *one car buff consumer*. Reaching one “motor-head” in the illustration above, using a 30-second TV spot, costs less than a penny a person.

The advertising decision to use magazine or TV is usually not a question of one or the other. Savvy media strategists often use both mediums. The information in this white paper is not to push one medium over the other. We merely wish to offer a technique to help you evaluate advertising similar to the way you purchase other materials for manufacturing and operations.

We hope this information is of practical help. If you have any further questions or comments, please e-mail them to the author.

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Frank McGonagle, CEO of Brenton Productions, Inc., has over forty years of marketing experience. For 25 years he managed the marketing communications program for Honeywell's automotive division (Fram, Bendix and Autolite). He directed the Fram brand entry into consumer advertising with the famous television advertising campaign for Fram oil filters with the slogan, "You can pay me now...or you can pay me later!"

Frank is also a seasoned marketer of television broadcast properties, including: *Two Guys Garage*, *Truck Universe* and *Hi Rev Tuners* for SPEED channel, as well as *Shadetree Mechanic* and *Crank & Chrome* that ran for ten years on SPIKE (formerly TNN.)

Frank was also responsible for the creation, production and networking arrangements for *The Hidden Heroes of Racing*; a top rated automotive series on TNN. His television production experience began in 1964 when he launched Fram oil filters into the television medium using a series of auto races produced and syndicated by Triangle Films. He has over 35 years of executive production experience. This includes the production of hundreds of television commercials and industrial films.

His former business affiliations include six years of consumer marketing management at Hallmark Cards as well as account executive on the Plymouth automobile account for the N.W. Ayer advertising agency. He also worked in merchandising and marketing management for Hunt Foods.