

Magazine Economics

By John Zarwan

Magazine printing is an attractive—and often overlooked—market for Canadian printers. It is large, with about \$500 million of print production, provides regular business and is fairly predictable.

Canadian magazine revenues are approximately \$1.3 billion a year. The market consists of a number of segments, principally consumer magazines and business-to-business or trade publications. Consumer magazines include categories such as newsweeklies, general interest, lifestyle, special interest, custom and regional and local titles. Nearly two-thirds of magazine publishers' revenue comes from advertising.

By many measures, the magazine market in Canada remains healthy. For example, magazine advertising revenue growth, nearly eight percent a year since 1998, is twice that of other major media and much higher than in other countries. Page growth is up more than 55 percent in the last 10 years, while the U.S. has essentially been flat.

Similarly, the number of magazines continues to grow with around 2,400 titles published in Canada according to StatsCan. If print is, as some digital pundits suggest, a dying medium, publishers have not received the message. More than 100 new magazines were launched in 2004, a record, and another 67 in 2005.

The new books can be quite eclectic. Recent additions in North America include a magazine targeting female poker players, a fashion magazine for men and the first lifestyle magazine crafted especially for veterinarians. This diverse mix

reflects the ability of magazines to reach audiences with very specific interests.

Nevertheless, failure rates are high. Less than 40 percent of start-up magazines survive a year, only one in five last more than five years.

Advertisers are attracted to different types of magazines. Ad pages for the business press and newsweeklies are down, while consumer-oriented magazines are up. This reflects more than just changing consumer taste but also the ability to get news in a more timely fashion from the Internet.

Print magazines continue to be important to advertisers. Magazine advertising has consistently proven effective as part of a media mix. People have a very special relationship with magazines. As one observer noted, "Magazines are our guilty pleasures. We make room for them in our lives, even when our lives seem to have run out of room."

Magazines and their printers are doing everything they can to make ads leap off the page—literally. Some have featured ads in which headlights on an illustration of a car flicker as music plays and characters offer sound bites about a new television program. These innovative and bulky ads are encouraged by magazine publishers eager to show advertisers that old media can compete with new as a showcase for their products. Extra printing and postage costs are usually part of the equation, but publishers are able to pass those off to advertisers.

Postage and distribution represent a long-term challenge to print magazines with implications on page count and run length. The average newsstand sell-through for consumer magazines is about 35 percent; that means two-thirds go unsold. These numbers are likely to decline as subscriptions become more important and as magazines adjust their production runs to reflect circulation overstatements. Publishers realize that tightening up their mailing strategies is critical.

The business drivers for digital editions are clear: postal rate increases, rising paper costs, and environmental issues. Add to those factors shorter production cycle times and the ability of digital editions to compete with other interactive media.

Magazine publishers are responding to electronic distribution in a number of ways. Most magazines, of course, have their own websites. Some are beginning to experiment with Really Simple Syndication (RSS), a format designed for sharing content. Others are delivering digital editions that are essentially facsimiles of the print issue [*Canadian Printer* archives its editions online www.canadianprinter.com].

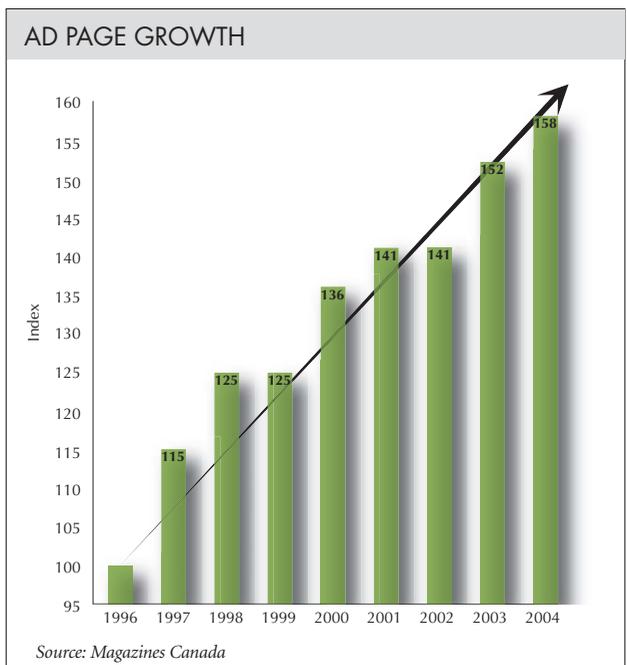
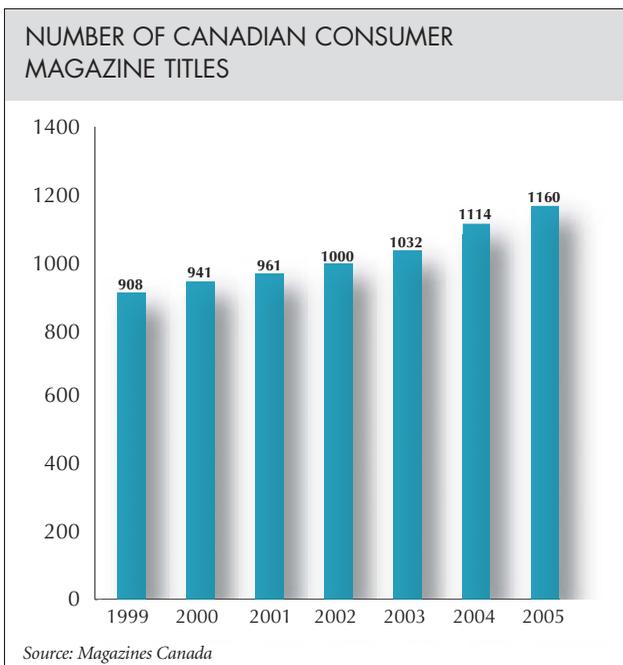
To the consumer, a major advantage is delivery time, but others include weight (for travelers, for example), the ability to search and link and archiving. At one time, these services were considered good matches for e-book readers, but now are appropriate for conventional personal computers, laptops and, with improved screen technology, PDAs and similar devices.

Magazine industry executives now suggest the Internet

increasingly important component of a magazine publisher's success. For those with a vital interest in the print version, however, the impact of electronic channels delivery is critical and will differ by magazine class.

The impact of digital distribution on most lifestyle, celebrity and general interest magazines will be minimal, as the reasons for reading them tend not to be information related or time sensitive; the print editions connect with the consumer in a way the news and business magazines do not. News-related and B2B titles, on the other hand, will be affected the most. The Web will continue to be the primary source for news, drawing readers. No one suggests these titles will disappear, but the impact on advertising and page counts will be noticeable. The widespread availability of the same information on the Internet will make it harder to reverse the trend.

Print and electronic versions will coexist. Even the most optimistic (or pessimistic) forecasts are for digital delivery to replace perhaps 20 to 25 percent of a magazine's circulation over the next 10 to 20 years.



represents a greater prospect for stable advertising-revenue growth than the pages of a publication. For some types of publications, such as business-to-business, the online channel will become increasingly important. In one recent survey in Great Britain, one-third of B2B publishers indicated their website generates more than 30% of their revenues, and almost twice as many expect the online channel to reach those levels within two years.

For magazine publishers, and their advertisers, print is a channel. While there may be readership issues for certain types of magazines, and the industry overall, it is equally clear that an electronic-delivery and Internet strategy will be an

The Internet and digital delivery will transform magazine company strategies and economics. The digitization of content — already a fact in print production — offers the opportunity to reduce the expense and time of physical materials while also providing new revenue sources. The issue for publishers is not so much one of technology rather one of business model and economics. **CP**

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