SPECIALIST MAGAZINE PUBLISHERS 2005

Research into specialist consumer magazine publishers: their practices & attitudes

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Section 1
Background & Methodology

1.1 Background

The specialist magazine sector is a massively important part of the consumer magazine business, yet it is difficult to chart and is often overlooked in industry surveys in favour of the more high profile magazine brands.

As a newstrade distributor which has concentrated on serving specialist magazine publishers, Magazine Marketing Company (MMC) felt that it was important to understand better the issues and concerns that face the publishers of specialist magazines. MMC commissioned Wessenden Marketing to undertake a research project to assess this whole area.

1.2 Defining the Market

It is notoriously difficult to define what a "**specialist magazine**" actually is. There are two basic approaches:

1. SPECIALIST EDITORIAL FOCUS, zooming in on a specific interest category (e.g. motoring, sport, home interest, women's crafts, etc) as opposed to a more general "lifestyle" approach which embraces a wide range of editorial topics (e.g. TV listings, women's weeklies, men's lifestyle, women's lifestyle & fashion monthlies, etc.). Using this distinction, regular frequency specialist titles account for approximately 60% of the consumer magazine industry's total retail sales value (RSV).

2. CIRCULATION SIZE. The simple size of a magazine's RSV is becoming increasingly important to the supply chain. "Specialist" does not necessarily mean "small", but often does. Also, where a lifestyle title with a broad-based editorial approach has a small circulation, then it faces the same marketing challenges as a "specialist" title. Regular frequency magazines with a retail sale of

under 100,000 copies per issue account for 45% of the industry's total RSV.

Whichever definition is used, editorial focus or size, the conclusion is the same: that "specialist" magazines account for a very significant part of the consumer magazine business

Defining what a "**specialist magazine publisher**" is also causes the same definition problems. A number of the publishing divisions of IPC, EMAP and Future, among other major publishers, would regard themselves as publishers of specialist magazines, facing the same marketing challenges and budget constraints as many single-title companies. While there is a great deal of truth in this, there is clearly a difference in size and culture between these two extremes.

For the purpose of this research project, it was decided to add an extra filter, looking only at those publishers which are "**independently distributed**". This definition excludes publishers who have a shareholding in their own newstrade distribution company.

While no definition will ever be completely watertight, "publishers of predominantly specialist, consumer magazines which are independently distributed" was the basis for the sample of this survey.

1.3 Methodology and Sample

180 companies in a wide range of markets which fulfilled the definition "publishers of predominantly specialist, consumer magazines which are independently distributed" were selected.

A self-completion questionnaire was mailed to all 180 selected companies: 41 fully-completed questionnaires were received back, representing a response rate of 23% which was considered very satisfactory considering the length and sensitivity of the questionnaire.

The resulting survey, therefore provides a solid base for assessing the practices and attitudes of specialist consumer magazine publishers.

Section 2
Management Summary

Specialist magazines account for a very significant part of the magazine business: for at least half of the total retail sales value of the industry at the most conservative estimate. They also account for the vast majority of new launch activity and, therefore, represent a powerful force in driving the creative standards of the whole industry.

Yet specialist magazine publishers feel under pressure, with companies feeling more vulnerable the smaller they are in a business which seems increasingly driven by scale.

A recurring theme of the research is the troubled future of newstrade sales for specialist magazines. This is seen to be created by the agendas of the major retail multiple groups. The logical response to this is to develop postal subscriptions or alternative retail outlets. While specialist publishers do see subscriptions as a very important and growing part of their future, there are clear signs that not enough money, resource and focus are being devoted to this whole area and that publishers lack the confidence and experience to develop these sales as fast as they need to be.

Most publishers have developed other non-magazine revenue streams. These range from reader offers, product sales and exhibitions through to contract publishing. While online activity is seen to be important, this does not appear to offer the great potential that is commonly thought. So, future revenue potential is firmly in the printed word and in developing existing product organically rather than through launch or acquisition.

Specialist magazine publishers are looking for help, the most obvious sources being their newstrade distributor or subscription fulfilment bureau, both of whom could be providing more proactive and creative input into publishers' activity.

Marketing budgets are still relatively small with very little being spent on researching the end consumer.

Yet with all these threats and challenges, selling out to a larger publisher is not considered to be a serious option. Specialist publishers have developed their niches and they are ready to defend them with utter conviction and commitment. It is this level of commitment which is ultimately the key factor for the future success for the whole sector.

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3.1 Sample Profile

The sample covers a wide range of operations from a number of single-title publishers through to some significant multi-title companies.

The simplest definition of size is staff headcount and there are three clear bands, which throughout the report are referred to as:

- Small: Under 10 staff
- Medium: 11-50 staff
- Large: Over 50 staff

Staff Numbers	% of Sample
Under 10	44%
11-50	39%
Over 50	17%
TOTAL	**100%**

It is important to note that a number of significant publishing companies regard themselves as "specialist publishers". While the larger companies have the protection of a larger critical mass and scale economies, most of the marketing challenges are still looked at on a title-by-title basis.

Between them the 41 respondent companies publish 338 titles, an average of 8.2 per company.

Number of Titles	Paid	Free	TOTAL
Consumer	289	24	313
Business	16	9	25
TOTAL	305	33	**338**

A number of consumer publishers have clearly spread into related B2B markets and into contract publishing deals to support their mainstream paid-for consumer magazines.

3.2 Key Dynamics

Company Type	Average Turnover (£m)	Average Staff Numbers	Turnover per Head (£000)	Average No. of Titles	Turnover per Title (£000)
Small	1.8	5.8	310	2.1	857
Medium	3.8	23.7	160	4.9	776
Large	24.6	238.1	103	31.7	776
TOTAL SAMPLE	**6.5**	**52.4**	**124**	**8.2**	**793**

- The average company turnover of the sample is £6.5m with just over 52 staff members (Full Time Equivalents: FTEs).

- Turnover per head drops significantly the larger the company. While the larger companies may be able to leverage better deals in their buying-in of services, the smaller companies rely on their small staffs being able to cover a number of roles and functions. While this may result in more “efficiency”, this often leaves little resource to put behind major developments and launches, leaving the organisation potentially vulnerable.

- Turnover per title drops slightly the larger the company. Often the larger companies have grown by spinning off smaller titles around their core products.

An average 85% of turnover is generated in the **domestic UK** market. Yet this average conceals a polarisation. A significant minority is committed to export sales while for the majority export is clearly an add-on accounting for under 5% of total sales. There is no significant difference by size of company.

The average **age** of the companies surveyed is 10 years old, but the centre of gravity is very clearly in the 1990s with 55% of the sample having been established in this decade.

Date Established	% of Sample
Pre 1970	15%
1970s	5%
1980s	15%
1990s	55%
2000s	10%
TOTAL	**100%**

3.3 Staffing

Headcount is used in this report as the key determinant of company size and the sample falls into three broad, but clear bands.

Company Definition	Staffing Band	% of Sample	Average Staff Numbers
Small	Under 10	44%	5.8
Medium	11-50	39%	23.7
Large	Over 50	17%	238.1
TOTAL		**100%**	**52.4**

STAFF PROFILE

Respondents were asked to detail their company headcount (full time equivalents - FTEs) by job function.

Function	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
General management	16%	11%	6%	**12%**
Editorial / Design	39%	35%	44%	**38%**
Production	11%	13%	11%	**12%**
Advertising	13%	18%	20%	**16%**
Circulation	3%	5%	1%	**3%**
Marketing	1%	5%	3%	**3%**
Administration	15%	11%	9%	**12%**
Other	2%	1%	6%	**3%**
TOTAL	**100%**	**100%**	**100%**	**100%**

- GENERAL MANAGEMENT. This is more important in the smaller publishers with owner/operators tending to “multi-task” in a number of roles.
- EDITORIAL / DESIGN. This is the real core whatever the size of company, accounting for 38% of all staff numbers.
- PRODUCTION. This has a steady profile whatever the size of company.
- ADVERTISING. More resource is put behind this in the larger companies.
- CIRCULATION. Little distinct resource is put behind this and the actual headcount is very variable from company to company. However, this role is sometimes combined with other roles or is handled by senior/general management.
- MARKETING. A very similar picture to Circulation.
- ADMINISTRATION. There is a stronger bias to this function in smaller companies with there clearly being some scale economies in larger companies.

STAFF RECRUITMENT

Respondents were asked where they went when they wanted to recruit new staff.

Source of Staff Recruitment	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Use a recruitment agency	11%	73%	100%	**50%**
Advertise the vacancy ourself	61%	93%	100%	**80%**
Word of mouth / staff contacts	61%	53%	86%	**63%**

- There is more usage of recruitment agencies in the larger publishers.
- The small publishers are more likely to take one route in finding their new staff. The bigger publishers will use a range of routes at the same time.

STAFF TURNOVER

Respondents were asked whether staff turnover was a concern.

Is Staff Turnover a Concern?	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Yes, it's a major concern	0%	7%	0%	**3%**
Yes, but it's only a slight concern	11%	20%	43%	**19%**
No, it's no concern	89%	73%	57%	**78%**
TOTAL	**100%**	**100%**	**100%**	**100%**

This was more of a concern the larger the company. The smaller publishers appear to be able to rely on a core of loyal and long-term employees.

3.4 Revenue Sources

Respondents were asked to detail:

(1) The profile of their revenue streams and

(2) What the future performance of each revenue stream was felt to be, according to the following grading system.

Future Prospect	Score
Growing rapidly	10
Growing slowly	5
Remaining steady	0
Declining slowly	-5
Declining rapidly	-10

REVENUE PROFILE

Respondents were asked what percentage of their company's total revenue came from the following sources:

- Magazine copy sales
- Magazine advertising sales
- Sales outside the main magazine(s), such as reader offers, contract publishing, websites, etc.

Source of Revenue	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Magazine copy sales	59%	47%	49%	53%
Magazine advertising sales	31%	43%	46%	38%
Non-magazine sales	10%	9%	4%	9%
TOTAL	**100%**	**100%**	**100%**	**100%**

- The balance between copy sales and ad sales is 58:42 in comparison to the total industry average of 64:36 (Source: Advertising Association.

- There is a higher reliance on circulation revenue among the smaller publishers.

- There are significant non-magazine sales (9%) and reliance on this grows among the smaller and medium publishers.

REVENUE FUTURE PROSPECTS

Respondents were asked to look forward over the coming two years to make an assessment as to how each revenue stream would perform in the future ("growing rapidly", "growing slowly", remaining steady", etc) and these results were scored as outlined on page 11.

Source of Revenue	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Magazine copy sales	1.4	2.0	4.3	**2.1**
Magazine advertising sales	2.2	4.3	5.7	**3.6**
Non-magazine sales	1.9	3.8	5.0	**3.1**

The overall picture is consistent among all publishers, whatever their size. Advertising sales are seen to be the most buoyant revenue stream, followed closely by non-magazine sales.

Circulation sales lag well behind: a view that is reflected in the major concerns about retail trends which are shown in other parts of the survey.

Generally, the larger publishers are much more positive about the future than the smaller and medium publishers. The smaller the company, the more vulnerable it is likely to feel.

CIRCULATION SALES PROFILE

Respondents were asked what percentage of their company's total circulation sales revenue came from the following sources:

- Mainstream retail newstrade
- Specialist (non-newstrade) retailers
- Postal subscriptions
- Other routes to market

Source of Copy Sales	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Mainstream retail newstrade	55%	70%	61%	**62%**
Specialist retailers	7%	12%	2%	**8%**
Postal subscriptions	38%	17%	36%	**29%**
Other	0%	1%	0%	**0%**
TOTAL	**100%**	**100%**	**100%**	**100%**

- The balance between retail sales and subscription sales varies significantly from company to company, but also by company size. The smaller publishers appear to be very subscriptions focused, perhaps because they feel that they have to be in the current retail climate. The subscriptions focus weakens among the medium-sized publishers, but then strengthens again among the larger publishers, many of whom are able to allocate specialist resource to the area.
- Specialist (non-newstrade) retailers provide a small, but significant route to market. Publishers tend to be polarised at the two extremes. Many companies have few or no sales from this source, while a number rely for over 20% of their sales from specialist retailers.
- Other routes to market include shows and exhibitions. Few publishers are actively involved in this (or usually use the opportunity to sell postal subscriptions), but where publishers are involved in this, it can account for up to 10% of total circulation sales revenues.

CIRCULATION SALES FUTURE PROSPECTS

Respondents were asked to look forward over the coming two years to make an assessment as to how each circulation sales stream would perform in the future and these results were scored as outlined on page 11.

Source of Copy Sales	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Mainstream retail newstrade	-1.3	1.1	3.3	**0.4**
Specialist retailers	2.0	1.4	2.5	**1.8**
Postal subscriptions	4.0	4.6	5.8	**4.5**
Other	na	0.0	na	**0.0**

- Postal subscriptions are seen by publishers of all sizes as an important and growing part of their circulation future.

- Specialist retailers have moderately positive scores.

- There are clearly major concerns, especially among the smaller publishers, about their future in the mainstream newstrade.

- The larger publishers are generally more positive about all their routes to market than the smaller publishers.

ADVERTISING REVENUE PROFILE

Respondents were asked what percentage of their company's total advertising sales revenue came from the following sources:

- Direct from advertisers
- Via advertising agencies

Source of Ad Revenue	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Direct from advertisers	82%	75%	82%	**80%**
Via ad agencies	18%	25%	18%	**20%**
TOTAL	**100%**	**100%**	**100%**	**100%**

Across the total sample, 80% of ad sales revenue comes direct from advertisers.

This percentage varies from company to company dependent on the markets served rather than on company size.

ADVERTISING REVENUE FUTURE PROSPECTS

Respondents were asked to look forward over the coming two years to make an assessment as to how each ad sales stream would perform in the future and these results were scored as outlined on page 11.

Source of Ad Revenue	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Direct from advertisers	2.5	2.9	5.0	**3.1**
Via ad agencies	1.8	2.7	6.0	**2.8**

Direct sales are seen to be slightly more buoyant than ad agency sales.

The larger publishers are much more positive about ad prospects generally than the small and medium publishers

NON MAGAZINE SALES

Respondents were asked whether their company was actively involved in a number of "non-magazine" areas.

Non-Magazine Sales Area	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Reader offers: products	87%	75%	57%	**76%**
Reader offers: services	0%	0%	14%	**3%**
Reader events	67%	75%	43%	**65%**
Website	47%	83%	71%	**65%**
Contract publishing	7%	25%	86%	**29%**
Other	0%	8%	0%	**3%**

- READER OFFERS (products). Over three quarters of the total sample are involved in this area which is generally off-the-page product sales. This area becomes much more important the smaller the publisher.
- READER OFFERS (services such as insurance). There is very little involvement in this area except among the larger publishers.
- READER EVENTS (e.g. exhibitions, shows, etc.). This is a very important area, though it varies considerably from company to company dependent on the markets served rather than on company size.
- WEBSITES are also important, but this area drops away considerably among the small publishers.
- CONTRACT PUBLISHING Contract publishing grows in importance with company size and is a significant revenue source for the larger publishers.
- OTHER REVENUE SOURCES (e.g. offering pre-press services) are very limited.

NON MAGAZINE SALES FUTURE PROSPECTS

Respondents were asked to look forward over the coming two years to make an assessment as to how each sales stream would perform in the future and these results were scored as outlined on page 11.

Non-Magazine Sales Area	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Reader offers: products	1.5	3.0	4.0	**2.5**
Reader offers: services	na	5.0	2.5	**3.3**
Reader events	3.8	2.0	5.0	**3.1**
Website	3.3	3.6	6.0	**4.0**
Contract publishing	5.0	5.0	7.0	**6.0**
Other	na	5.0	na	**5.0**

CONTRACT PUBLISHING is seen to have the most positive growth prospects by far.

WEBSITES are seen to have solid growth prospects, but are given a surprisingly low score considering the general hype about online applications.

3.5 Circulation: Newstrade

USAGE OF THIRD PARTY DISTRIBUTORS

90% of the sample use an external, third party distributor to handle their newstrade sales; the remainder manage their own circulation in-house.

The newstrade distributors used include COMAG, CSD, Frontline, MMC, Marketforce and Seymour.

The average length of time that publishers have been with their current distributor is 4.9 years.

46% will be reviewing their newstrade distributor in the foreseeable future. These respondents were then asked to grade on a scale of ten (1 = low priority / 10 = high priority) four factors involved in the choice of a new distributor.

Key Factors in Distributor Decision	Importance Score
Quality of retail multiple representation	9.0
Quality of marketing input into your overall publishing strategy	7.8
Remit / financial deal	7.6
Quality of the information about your title(s) and the general market	7.1

By far the most important factor is the quality of the distributor's retail multiple representation: an indication of just how important the whole retail area has become.

The other three factors then come close together in their importance.

RATING OF THIRD PARTY DISTRIBUTORS

Respondents were asked to grade the quality of their current distributor's range of services on a scale of ten (1 = poor / 10 = excellent).

The overall score given by publishers was a solid, if unexciting, 6.1.

Key Distributor Service Areas	Performance Score
Quality of the regular a/c management contact	6.9
Quality of the information	6.4
Quantity of the regular a/c management contact	6.4
Quality of marketing input	5.9
Controlling unsolds	5.7
Export sales	5.6
Maximising retail availability	5.5

Account management and information & marketing services come out most strongly.

The distributors are seen to be weakest at the more basic, "sharp end" functions such as controlling unsolds and maximising retail availability.

DISTRIBUTOR STRENGTHS

Respondents were asked to look at their current distributor and to list their main strengths.

Key mentions
Two areas stood out clearly above all others:

- Size and influence within the supply chain which is often reflected in the quality and size of the client list .
- Quality of information and IT. A key factor highlighted is the distributor's ability to interpret the information and not just to feed back undigested data. Speed of information is also mentioned repeatedly.

Then, with fewer, but still a significant number of mentions is the quality of account management contact.

Lower frequency mentions

- Creative input into promotional activities.
- Export sales.
- Familiarity with and knowledge of the supply chain.
- Transparency & accountability.

Single mentions

- Copy management system.
- General quality of staff.
- Personal touch.
- Supermarket sales.
- Understanding of publisher's own business requirements.
- Keen, ambitious, proactive staff.

DISTRIBUTOR WEAKNESSES

Respondents were asked to look at their current distributor and to list their main weaknesses.

Key mentions
Two areas stood out:

- Size, polarised between being too small ("not big enough to have real clout with WHSmith", "insufficient resources") and being too big ("too many other clients to look after to give us real and personal attention").
- Failing to increase sales and sales efficiencies.

Low frequency mentions

- Lack of proactivity and creative ideas.
- Lack of specific knowledge about the publisher's own market and of publishing generally.
- Slow in sorting out problems and queries.
- Indifferent management information and poor presentation of data.
- Lack of account management continuity / high staff turnover.
- Poor export sales.

Single mentions

- Too many chiefs, not enough "grafters".
- Unproven, new Managing Director.
- Lack of personal contact.
- Control of issue to issue supplies and identifying supply errors.

DISTRIBUTOR PRIORITIES

Respondents were asked what was the single most important service that they would like their distributor to provide.

One answer came out very clearly in front of all others: <u>increase sales levels and distribution levels</u>.

Low frequency mentions

- More assertive management of key retail accounts, especially WHSmith Retail.
- Provide more marketing advice.
- Keep publishers better informed as to the progress of their own titles and developments in the general market place.

Single mentions

- Manage waste levels better.
- Build export sales.
- Deliver correct quantities on time.
- Provide more professional account managers.
- Look in more detail at the supply and sales figures.
- Use promotional budgets more intelligently.

ADDITIONAL DISTRIBUTOR SERVICES

Respondents were asked what additional services (if any) they would like their distributor to provide.

Here there was much less unanimity among respondents with a range of very specific suggestions:

Multiple mentions

- Advice on how to construct a proper retail strategy and promotional plan.
- Non-traditional retail sales development service.
- Retail merchandising service.
- Subscription marketing and fulfilment service.

Single mentions

- Analysis of WHSmith Retail EPoS data.
- Analysis of newstrade data generally
- Email newsletter with distributor's thoughts on the trade in general and the impact of important developments.
- Guaranteed availability levels.
- A circulation management service: sharing a circulation manager between a number of publishers.
- On-line, real time reporting.
- Local store level information on stockists to be able to guide readers to individual outlets.
- Advice on cover price strategy.
- Advice on cover design.
- Reviews and analysis of competitive magazines.

GENERAL ATTITUDES TO NEWSTRADE ISSUES

Respondents were asked to grade their level of agreement with a number of general statements about newstrade issues which were then allocated a score in the following way:

Level of Agreement	Score
Strongly agree	10
Tend to agree	5
Neither agree nor disagree	0
Tend to disagree	-5
Strongly disagree	-10

Newstrade Agreement Statements	Importance Score
The possibility of retailers delisting my title(s) is a major concern.	7.6
Power is moving increasingly into the hands of the larger publishers.	5.8
Our retail promotional budget is rising significantly.	3.3
Our consumer promotional budget is rising significantly.	2.2
Smaller publishers are the source of the best new launch ideas.	1.3
Moving distributor could make a real difference to my newstrade sales	-0.4

Retail delisting remains a major concern for specialist publishers of all sizes and overshadows any feeling that power is moving into the hands of the major publishers, which is a real, but more muted threat.

Marketing budgets are rising, but not dramatically so. The retail promotional budget is clearly growing more quickly than the consumer promotional budget (see Section 3.7 Marketing Budgets).

Surprisingly, specialist publishers feel very modest about their contribution to new launch ideas and do not see that they are noticeably better than the major publishers at introducing creativity into the marketplace.

Simply moving distributor is not seen as the answer to all the newstrade issues that specialist publishers face. While the research underlines the importance of the role of the distributor, there are bigger issues which are felt to be shaping the supply chain at the moment.

3.6 Circulation: Subscriptions

USAGE OF FULFILMENT BUREAUX

Only 36% of the sample use an external, third party subscription bureau for their fulfilment. This is in contrast to 77% of consumer publishers who claim to do so in the recent PPA survey of its members, also conducted by Wessenden Marketing: *“Subscription Marketing 2004: A Survey of Publisher Practice and Outlook.”* This would suggest that smaller, specialist publishers are more likely to handle their subscription fulfilment in-house than the major publishing companies.

Where specialist publishers do use an external fulfilment bureau, the average length of time they have been with the company is 3.4 years, significantly less than the average 4.9 years for third party newstrade distributors.

The bureaux used by the sample include AASM, Customer Interface, Publishing Power, Tower, Warners and Webscribe.

RATING OF FULFILMENT BUREAUX

As with the newstrade distributors, respondents were asked to grade the quality of their current bureau’s range of services on a scale of ten (1 = poor / 10 = excellent).

The overall score given by publishers was 6.3, very similar to the 6.1 given to the newstrade distributors. Both scores are solid, if unexciting, and are a reflection of the fact that most publishers see the service standards offered by these companies as satisfactory rather than exemplary.

Key Bureau Service Areas	Performance Score
Accuracy of data entry	7.3
Quality of customer service	6.9
Quantity of the regular account management contact	6.4
Quality of the information about your title(s)	6.4
Quality of the regular account management contact	6.2
Quality of marketing input into your overall subscription strategy	4.7

Whereas publishers rate their newstrade distributors’ input most highly in the area of marketing, information and account management, these are the precise areas where the bureaux produce their weakest scores.

Publishers clearly want more help with their subscription marketing strategy and feel that they are not getting this from their current bureau.

FULFILMENT BUREAUX STRENGTHS

Respondents were asked to look at their current bureau and to list their main strengths.

Multiple mentions

- Small enough to offer a personal service to specialist publishers.
- Good customer service.
- Professional, but good value.

Single mentions

- Efficient.
- Reliable.
- Flexible.
- Responsive.
- Good systems.

FULFILMENT BUREAUX WEAKNESSES

Respondents were asked to look at their current bureau and to list their main weaknesses.

Multiple mentions

- Lack of accuracy in the data.
- Lack of proactivity and transparency.
- Lack of input on subscription marketing activities.
- Lack of true customer service skills. Customer-facing staff are occasionally unhelpful to subscribers.

Single mentions

- Too few customer service staff on the phones.
- Out-of-date systems.
- Inflexible.
- Crude presentation of data.

FULFILMENT BUREAUX PRIORITIES

Respondents were asked what was the single most important service that they would like their bureau to provide.

Two areas stood out clearly above all others:

- Taking care of all the basic, core processes and details. Doing it all quickly, accurately and efficiently.

- Maintaining the highest levels of customer service for subscribers.

Single mentions

- Be more proactive: “Tell me what to do!”

- Increase subscriptions levels.

- Work faster and more flexibly.

- Produce more meaningful reports which provide understanding and the basis for practical actions.

ADDITIONAL FULFILMENT BUREAUX SERVICES

Respondents were asked what additional services (if any) they would like their bureau to provide.

The most repeated request was to provide a real marketing/consultancy service on how to grow the subscriptions base.

Single mentions

- Help in improving renewal rates.

- Online access to data.

IN-HOUSE FULFILMENT

The majority of the sample (64%) fulfil their subs via an in-house system.

Subs System Used	% of In-House Users
DIY	76%
Database	20%
Specialist Subs	4%
TOTAL IN-HOUSE USERS	**100%**

- Most in-house publishers (76%) have written or commissioned their own subscription computer software.
- One fifth have built their system around a standard database package such as Access or File Maker.
- Only 4% have gone down the route of buying specialist magazine subscription systems, such as RED, suggesting the potential that still remains for software providers.

THE ROLE OF SUBSCRIPTIONS IN CIRCULATION STRATEGY

Respondents were asked to indicate where subscriptions sat in their overall circulation strategy.

Role of Subscriptions in Circulation Strategy	Bureau Users	In-House Users	Total Sample
They are central to the whole circulation strategy	57%	65%	**62%**
They are a useful addition to retail sales	21%	35%	**30%**
They are an afterthought	21%	0%	**8%**
TOTAL	**100%**	**100%**	**100%**

Overall, 60% see subscriptions as central to their whole circulation strategy, with in-house fulfillers being more likely to view subscriptions strategically than bureau users.

A significant minority (30%) still see subscriptions as just a useful addition to their main core of newstrade sales.

GENERAL ATTITUDES TO SUBSCRIPTION ISSUES

These generally positive views about subscriptions feed through into the attitude statements below, though the agreement scores are not very strong, indicating that subscriptions still do not hold the focus that perhaps they should and that publishers also do not feel very confident in their subscription knowledge and proficiency.

Subscription Agreement Statements	Bureau Users	In-House Users	Total Sample
Subscriptions offer a real alternative to retail sales.	4.6	4.6	**4.6**
I feel well-placed to maximise subs revenue over the foreseeable future	2.5	4.6	**3.9**
Our subscription marketing budget is rising significantly.	2.7	2.0	**2.2**
Our subscription sales are performing better than our retail sales	-0.4	2.8	**1.7**
Our subscriptions must break even in year 1.	-0.8	1.8	**0.9**

- Subscription sales are not seen as performing significantly better than retail sales.

- What is encouraging is that publishers do not seem to be locked into year 1 profitability which would put a real brake on subscription growth.

3.7 Marketing Budgets

MARKETING BUDGET PROFILE

Respondents were asked to state how much money they had spent over the last year in various areas of the marketing budget.

The average annual marketing spends are:

- Small publishers: £44,000 (2% of total turnover)
- Medium publishers: £199,000 (5% of total turnover)
- Large publishers: £787,000 (3% of total turnover)

The marketing budget is spread across the following areas:

- Above-the-line advertising to boost retail sales (e.g. display ads, radio, press, etc.).
- Below-the-line advertising to boost retail sales (e.g. direct mail, exhibitions, sales promotions, etc.).
- In-store retail promotions.
- Subscription marketing activity.
- Added value promotions (e.g. covermounts, supplements, etc.).
- Consumer research.

The percentage profile of the marketing budget is shown in the table below.

Area of Marketing Budget	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Above-the-line consumer ads	5%	8%	14%	**8%**
Below-the-line consumer ads	32%	19%	17%	**24%**
In-store retail promotions	22%	22%	35%	**24%**
Subscription marketing activity	17%	17%	14%	**16%**
Added value promotions	21%	29%	16%	**23%**
Consumer research	4%	5%	3%	**4%**
TOTAL	**100%**	**100%**	**100%**	**100%**

Three key areas of marketing spend dominate:

- Below-the-line consumer advertising (24% of total spend) which attracts a much bigger allocation than above-the-line activity, due to the costs and critical mass required for above-the-line work. Predictably, the balance shifts from below-the-line into above-the-line, the larger the company.

- In-store retail promotions (24%) where the larger publishers devote significantly more resource.

- Added value promotions (23%) which are more important to the small and medium publishers than the larger companies.

Subscription marketing activity (16%) attracts a significant slice of the budget.

Consumer research (4%) has a low profile in most companies' marketing activities.

MARKETING BUDGET FUTURE PROSPECTS

Respondents were asked to look forward over the coming two years to make an assessment as to how each area of budget spend would alter in the future ("growing rapidly", "growing slowly", remaining steady", etc) and these results were scored as outlined on page 11.

Area of Marketing Budget	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Above-the-line consumer ads	1.1	0.5	2.5	**1.1**
Below-the-line consumer ads	1.3	4.6	4.2	**2.9**
In-store retail promotions	1.0	4.2	6.7	**3.2**
Subscription marketing activity	3.4	4.2	7.5	**4.4**
Added value promotions	2.9	2.9	5.0	**3.3**
Consumer research	0.0	0.8	2.5	**0.8**

The fastest growing area of budget spend over the next two years is seen to be subscription marketing.

There then follows added-value promotions and in-store retail promotions.

3.8 Future Prospects

MAIN OPPORTUNITIES

Respondents were asked to list what they saw as the main opportunities for their company over the next two years.

Two key areas stood out:

- New launches and acquisitions.
- Increased levels of subscriptions.

Multiple mentions

- Usage of websites to raise the profile of the magazine, generate more subscriptions or add value to the subscription by creating "closed user" areas.
- Raising awareness of the core title through multi-channel activity.
- Contract / license publishing.
- Change distributor.
- Book publishing spin-offs.

Single mentions

- Growing circulation overseas.
- Organising events / reader clubs.
- Working with other small publishers to share experience & resources and to position titles better in the marketplace.
- Maximising existing revenue streams.

MAIN THREATS

Respondents were asked to list what they saw as the main threats for their company over the next two years.

The negative influence of the major retail multiple groups is seen as the major threat:

- Retailers' range editing with a number of specific mentions of WHSmith Retail.
- Increasing costs of retail promotions.

Another key threat is the competition from other publishers with new launches coming into the publisher's own market sector.

Multiple mentions

- The Internet eroding readers' time.
- Decline in ad revenues.

Single mentions

- Rising postage costs.
- Rising costs to promote to consumer.
- Late or non-arrival of supplies to wholesalers.
- Threshold leap in costs in order to expand.
- Decline in market sector.

FUTURE GROWTH PROSPECTS

Respondents were asked where they saw future growth coming from for their company and how important each route was going to be with the following scores.

Future Prospect	Score
Very important	10
Quite important	5
Not all important	0

The table below shows the following results.

Area of Future Growth	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
Organic growth from existing titles	8.2	9.0	8.6	8.6
Launches of new titles	2.5	5.3	8.6	4.7
Acquisition of other companies / titles	0.3	4.2	7.9	3.2

- Organic growth from existing titles is clearly seen as the prime driver of future growth.
- The launch of new titles is progressively more important the larger the publisher.
- Acquisitions really do not feature for the small publishers, but they become increasingly important the larger the publisher.

GENERAL AGREEMENT STATEMENTS

Respondents were asked to look forward and to indicate their agreement with a series of general statements. The results were scored as outlined on page 19.

Agreement Statements about Future Prospects	Small Publisher	Medium Publisher	Large Publisher	TOTAL SAMPLE
We are looking forward with confidence to the next few years.	0.6	6.6	7.1	4.1
We can see ourselves selling out to a larger publisher in the next few years.	-1.2	-2.8	-5.0	-2.5
We feel better equipped to face the future than many larger publishers.	-0.6	4.1	3.6	2.0
Power is moving increasingly into the hands of the larger publishers.	5.0	4.1	1.4	4.0
We see the internet as a major opportunity over the next few years.	1.8	2.5	5.0	2.6
We see overseas markets as a major opportunity over the next few years.	1.8	2.2	5.7	2.6
Growing retail multiple power is a major concern.	7.9	7.2	5.0	7.1
Newstrade distribution is going to become more expensive.	7.4	6.3	5.8	6.7

- The general confidence levels about the future vary markedly according to the size of the publisher, with small publishers looking to the future with very little confidence, clearly feeling that they are less well equipped than larger publishers and that power is moving into the hands of the larger companies.

- The over-riding concern for all specialist publishers is growing retail multiple power and all its implications, including the increasing expense of newstrade distribution. These concerns grow the smaller the publisher.

- The Internet is an opportunity, but clearly not the size of opportunity that many predict with relatively low scores across all publisher sizes, but particularly among smaller publishers. Export is seen as a comparable opportunity to the Internet.

- Yet despite all these threats and concerns, selling out to a larger publisher is not regarded as a serious option.

About MMC

Magazine Marketing Company (MMC) is the UK's largest independent third-party magazine distributor with over 100 clients publishing in predominantly specialist sectors.

MMC combines 16 years of specialist magazine experience with the full retail sales and trade marketing service that you would expect from one of the big four third party distributors. Giving this attention to specialist magazines in a flexible and innovative way makes us, we believe, unique.

Our clients benefit from strong information technology systems that can identify sales opportunities at individual store level and they have access to sales information through a pioneering web based portal. International sales are also an area of considerable expertise with a number of MMC's clients enjoying sales in overseas markets to rival those in the UK.

Being the only leading distributor that is independent and so entirely client focussed, we believe we can offer publishers a different kind of sales and marketing service.

For more information, please contact James Stringer or Andy Scott on 01483 211222.

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About Wessenden Marketing

Wessenden Marketing is a broad based marketing consultancy with a range of clients across the media, distribution, retailing, direct marketing, finance and business service sectors.

Wessenden's services cover four key areas:

- **Consultancy.** Health checks, market mapping & consultancy and project management.
- **Publishing.** Newsletters and reports analysing trends in the media business. "Circulation Briefing" is the key newsletter published 10 times per year.
- **Research.** From desk research through reader questionnaires on to in-store shopper surveys.
- **Training.** Public seminars and in-house workshops on a range of marketing and circulation related topics.

For more information, please contact Jim Bilton at:

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