
A Strategic Study of the Magazine Industry in Ontario

*Final Report for the
Ontario Media Development Corporation
Magazine Industry Advisory Committee*

September 30, 2008

*“The best way to read a magazine is still on paper, but, ‘for those for whom it is second nature to read online, I want to be there. I’m unwilling to make idiotic predictions about what’s going to be in print and what’s not going to be in print, I just don’t know. But I’m damned if I’m not going to be there.’” – David Remnick, editor, *The New Yorker*, to Trevor Butterworth, *Financial Times*, 12-13 July 2008, Life & Arts 3.*



Funding for this study was provided by Ontario Media Development Corporation. The author of this report is TCI Management Consultants. Any opinions, findings, conclusions or recommendations expressed in this material are those of the authors and do not necessarily reflect the views of Ontario Media Development Corporation or the Government of Ontario. The Government of Ontario and its agencies are in no way bound by the recommendations contained in this document.

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Executive Overview

This study identifies the challenges and opportunities facing the Ontario magazine industry over the next five years, particularly as they relate to market access, competition and digital developments. It recommends strategic initiatives which should be taken by the industry, and how this strategy can best be supported by the federal and Ontario governments, including the Ontario Media Development Corporation (OMDC). Findings are based on an extensive review of available print and digital literature, and on interviews with 54 industry and government executives.

The Ontario magazine industry is the most viable of the industries that form the creative cluster, with the largest share of domestic market and a relatively strong financial situation. Each year, the Ontario magazine industry generates 9,000 jobs and has an economic impact of nearly \$1 billion. It is a diverse industry composed of consumer magazines, business-to-business, trade and professional magazines (collectively, B2B) and magazines focusing on cultural production such as the visual arts. Needs and prospects differ across the sector. Over the past five years the consumer element has grown, adding titles, readers and revenues. B2B publications have shown less growth.

Consumer publications currently receive modest financial assistance for distribution from the federal government but little from the Province. B2B publications receive very little support from either level of government.

Canadian consumer and cultural magazines have a 41% share of the domestic market, higher than that of any other home-grown creative sector. Ontario publishers create a very high proportion of all the magazines produced in Canada. Magazines' relative success is attributable primarily to their strong Canadian content, developed with the assistance of a highly skilled work force, which meets the needs of many niche markets. Research into best practices in the magazine industry around the world confirms that strong content is the key determinant of success. Quality content breeds consumer loyalty and opportunities for brand extension, in other media such as TV and, especially for business magazines, through face-to-face events and new digital formats.

While magazines have proven adaptable in meeting competition in the past, such as from television, their ability to do so today is constrained by low profitability. This is due in part to intense competition from US publications which enjoy economies of scale and which can offer attractive prices to readers and lower rates to advertisers. Another major factor is the low share of total advertising expenditures placed in magazines in Canada, less than half that in the US and the UK. Despite these disadvantages, Canadian magazines are capturing additional market share in Canada. In the period 2000 to 2006, the Canadian circulation of US magazines dropped almost 10%. Moreover, Canadian magazines are holding and even extending their audiences in the face of competition from the Internet. Measured in terms of issues read per month, magazine readership has grown from 4.4 in 2003 to 5.0 in 2007. It is unclear whether advertisers fully recognize these achievements.

Internet publishing is particularly difficult for consumer magazines, because there is no consensus over an appropriate Internet strategy, and few successful examples to draw from around the world. Low profitability and uncertainty as to likely revenues make consumer magazine publishers understandably reluctant to make the required heavy investments in digital media.

For Ontario magazines, the key to growth is to achieve world-class creative standards. They must continue to improve both the quality and the quantity of the creative content that makes them distinctive, trusted and valued by readers and by advertisers. They must also let readers and advertisers know about their achievements in this area. Though both consumer and B2B magazines should invest in content so as to achieve greater revenues in the same three areas – print, digital and brand extension – the priorities differ for each market segment.

To create sustainable growth in the magazine industry requires significant additional investment by industry and government. On the basis of the amount required to make a noticeable difference to a single major magazine (estimated at \$250,000), we estimate that tens of millions of dollars will be needed. A new government program to stimulate this investment should be structured to allow participation by a mix of large, medium and small publishers. Moreover, it should require publishers themselves to contribute at a rate that ensures that only responsible investments are made, and it should fund only incremental expenditures. In view of the fact that there are relatively few magazines that would likely take up \$250,000 and smaller magazines are a significant component of the Ontario industry, such a program might cost on the order of \$20 million annually.

The industry, acting collectively, can support the strategy with activities in the following areas: research; marketing and promotion; training; exercising collective purchasing power to assist publishers, especially smaller ones, to meet the challenges of the Internet; developing and implementing tools to measure and track Internet usage; and gathering and disseminating information and expertise to support brand extension activities. Governments generally, and the OMDC in particular, can usefully support these activities through trade associations or consortia of publishers.

Governments at all levels can also contribute to achieving the strategy. Publishers urge the federal government to restore Publications Assistance Program (PAP) funding to its prior level, because it offers several real benefits to publishers by offsetting postal distribution costs.

The Ontario government can best achieve the goals of its creative cluster development strategy by creating a new refundable tax credit for the only creative sector that does not currently benefit from this form of support. Tax credits offer advantages of predictability and scope that offset disadvantages of transaction costs and post-expenditure support. If it proves impossible to convince the Ministry of Finance to create a magazine tax credit, we urge the Ontario government to explore other mechanisms that deliver these benefits – *on a scale that is sufficient to support strategic change*. Without major additional funding for the industry such change will not occur. It should be noted that OMDC's current budget is insufficient to finance what needs to be done; in order for the Province to make a difference, additional funding will be required.

In addition to making every effort to obtain substantial additional funding for the industry, the Agency can usefully act as a forum and facilitator to build connections between Ontario's publishers and firms in other creative sectors, and to support the industry in its efforts to sensitize the provincial and federal governments to the consequences of some of their actions.

1. Background, Objective, Definitions and Methodology

1.1 Background

The Ontario magazine industry contributes around 9000 jobs and nearly \$1 billion in economic activity annually to the Ontario economy.¹ Ontario-based publishing is by far the biggest part of the Canadian magazine industry, contributing 57% of Canadian periodical publishers' revenues.² It is one of six creative sectors that fall within the mandate of the Ontario Media Development Corporation (OMDC), an agency of the Ontario Ministry of Culture. OMDC's mission is to be *"the central catalyst for Ontario's cultural media cluster. It promotes, enhances and leverages investment, jobs, and original content creation."*³ OMDC operates in the context of the Ontario government's policy to stimulate economic development in the cluster of creative industries, of which magazines form a part, so as to "advance the production and exploitation of Ontario-owned intellectual property and the development of viable cultural firms."⁴

OMDC asked TCI Management Consultants (TCI) to conduct a strategic study of the Ontario Magazine Industry in the period April to August 2008.

1.2 Objective

The overall objective of this study is to provide the Ontario magazine industry and OMDC with information and analysis that will lead to the development of an appropriate sectoral strategy for growth over next five years.

To achieve this objective TCI was asked to identify the challenges and opportunities facing the industry in that period, particularly as they relate to market access, competition and digital developments, and to recommend strategic initiatives by OMDC, other levels of government and other parts of the provincial government, and the industry itself, to meet those challenges and opportunities.

While the central objective of the study is economic, initiatives that assist the cultural impact of the industry should not be overlooked. Magazines build communities among their readers that contribute to the fabric of Canadian culture. The interests shared within these communities may be very broad – for instance, an interest in Canadian political matters – or much narrower, such as a shared passion for a business or hobby. Communities may be organized along vocational lines – for instance, health professionals – or according to geographic, educational, stage-of-life or other groupings. Our definition of cultural impact, therefore, acknowledges the contribution made by all types of Ontario magazines, as defined below, to the development of a Canadian point of view.

¹ Informetrica and Impresa Communications (Informetrica et al.), "Economic Contribution of the Canadian Magazine Industry," for Magazines Canada, December 2006, 28-29.

² Statistics Canada, Periodical Publishing: Data Tables, 2006, Catalogue 87F0005X.

³ OMDC website: <http://www.omdc.on.ca/Page3286.aspx>

⁴ Ontario Ministry of Culture, "Comments in Response to Broadcasting Notice of Public Hearing CRTC 2007-10," 25 January 2008, ¶ 2.

1.3 Industry Definition

For the purposes of this study, the Ontario magazine (periodical) industry is comprised of those magazines which are published by an organization resident in the province and which produce their magazines in print only, or in print and digital format. Included are consumer magazines, business-to-business, trade and professional magazines (collectively, B2B) and magazines focusing on cultural production such as the visual arts. Incorporated, for-profit and unincorporated and not-for-profit magazine publishers are included, as are a range of paid, request- and controlled-circulation magazines. Magazines published only in digital format are excluded from the study as required by the study terms of reference. With the exception of certain peer-reviewed medical journals, academic and scientific publications are generally excluded, as are directories, flyers, and other publications that lack editorial content. Customer and in-house magazines are also excluded.

1.4 Methodology

A large number of documents and web sites on the Ontario and world magazine industries were reviewed for the study. A complete list is provided in Appendix A. Despite the volume of materials available, the data they contain are often unreliable, contradictory and/or speculative. This is a common, well-known problem with data on creative industries and has been the case for many years.

The most useful information came from 54 interviews with industry experts, mainly magazine publishers and association executives. The industry was most accommodating in making time available to the study team and answered numerous questions fully. Those interviewed were promised that the information they provided would not be made available to outside parties in a way that identified the source. In an effort to gather and assess international best practices, we interviewed and researched a number of companies, associations and regulatory authorities in the United States, Australia, the UK and France. Where contact could not be made directly with those organizations described as having best practices, their websites and related sources were scrutinized. A list of all those interviewed is provided in Appendix B. The results of our analysis of best practices are provided in Appendix C.

Once interviews were completed, and an initial analysis made of findings, a workshop was held with industry executives. This gave the study team feedback on the analysis and preliminary recommendations.

Finally, several drafts of this report were reviewed with the OMDC Magazine Industry Steering and Advisory Committees.⁵ The Committee meetings were attended by several OMDC staff. The committee members and the OMDC staff who attended them all provided TCI with significant advice and comment and materially influenced the structure and content of this report. TCI is grateful for their assistance.

⁵ Industry members of the Steering and Advisory Committees are identified at Appendix B.

2. 2008: Where The Ontario Magazine Industry is Today

2.1 A Snapshot of the Industry and Market Trends

The Ontario magazine-publishing industry is as diverse as the communities it serves. There are several large companies who publish all types of magazines, including consumer and B2B, each offering more than 20 titles. At the other end of the scale, many publishers issue one or two magazine titles. Some publishers are relatively profitable, but others operate on a shoestring. Although most are incorporated, a number are operated by foundations, partnerships and sole proprietorships. The needs, challenges and opportunities facing the industry correspondingly vary. B2B magazines face a more immediate challenge from the Internet than do consumer magazines, but may also benefit more from possible new lines of revenue such as face-to-face business through trade shows, training seminars and the like.

No Canadian publisher is anywhere near as large as major publishers in the US or Europe. A number of these foreign publishers have hundreds of titles, sponsor multiple shows and events and enjoy economies of scale far beyond those feasible for the largest Ontario publishers.⁶

Although a considerable amount of data on the sector is available, data from different sources are often not comparable and some important pieces of data are missing. Statistics Canada's own data must be approached with caution, since the agency does not differentiate magazines from other periodicals. While magazines as defined for purposes of this study are included in the Statistics Canada definition, so are other periodicals including publications with little or no editorial content, such as shoppers and real estate guides. Another challenge is that Statistics Canada changed its definitions with its 2004 dataset, and warns that data after this period are not comparable with information published before then.⁷

According to Statistics Canada, total operating revenue for the Canadian periodical industry was \$2.07 billion in 2006.⁸ Advertising spending in magazines rose by 92% overall between 1995 and 2008.⁹ Ontario publishers produce a high proportion of all Canadian magazines, both consumer and B2B; over 45% of the copies of top Ontario-produced consumer magazines are sold or delivered outside of the province.

Consumer magazines, in particular, have enjoyed significant growth in Canada over the past five years. A total of 1244 consumer titles were published in 2007, 20% more than in 2000. Their total average issue circulation went from 60.8 million copies in 2002 to 72.5 million in 2007, an increase of 20%. Total readership was also up by about 6% over this five-year period.¹⁰ B2B magazines did not fare as well. Although a number of new magazines have been launched in this

⁶ Examples of major publishers include Nielsen Business Media, Condé Nast, Reed Business Information and Informa plc.

⁷ Many of the data gaps are described and explained in Totum Research Inc., "Gaps and Needs Study," conducted on behalf of Magazines Canada and Canadian Business Press (May 2005).

⁸ Statistics Canada, "The Daily" (19 March 2008), 8.

⁹ FIPP, "2007-08 World Magazine Trends."

¹⁰ Sources: Print Measurement Bureau; Masthead Magazine; CARD online.

segment, the total number of titles was 740 in 2007, the same number as in 1995 and well down from the total in 1991.¹¹

The Statistics Canada study of 2003/2004 has the most recent comprehensive profile of the periodicals industry in Ontario. That study included 728 periodicals in Ontario that made a profit, and 434 that made a loss. It is not clear how many of the latter were not-for-profit publications, but there are many in Ontario. Total revenues for Ontario in that year were \$919 million.

The sector relies heavily on advertising revenue, which contributed \$611 million or 66.5% of all periodicals revenues in Ontario in 2003/04.¹² Magazine revenues tend to be somewhat cyclical and for Canada have grown at 4.7% compounded over the five year period, 2001 to 2006; however, the rate has been growing more slowly in the years, 2005 (2.8%) and 2006 (2.6%). Magazines' share of major media advertising has averaged 8.2% over the 2001 to 2006 period.

The 2003/04 study also showed that Ontario's magazine industry received \$162 million or 17.6% of its revenues from subscriptions, and \$46 million or 5.0% from single copy sales. Web site revenues were very small at \$10 million, or 1.1% of revenues. The Ontario industry's profit margin as a percent of revenues before taxes was 9.3%.

Table 1. Ontario Periodicals Industry Revenues, 2003/2004

Source	\$000s	Percent
Advertising	610,982	66.5%
Subscription sales	161,700	17.6%
Single-copy sales	45,917	5.0%
Other revenues	41,656	4.5%
Ancillary products	30,004	3.3%
Government grants	18,426	2.0%
Web site/E-commerce	10,071	1.1%
Total revenues	918,756	100.0%

Ontario magazines generate almost 9,000 jobs in Ontario.¹³ For 2003/04, Ontario's direct (full-time and part-time) employment was nearly 5,000 employees. Ontario's total personnel expenses are reported to be \$243.5 million, including \$45.9 million in freelance fees. The B2B sector represented a higher proportion of this total – about 29% of employment and 30% of total remuneration – compared to its share of titles (27%), revenues and expenses (about 25% in each case).¹⁴ Comparable data are not available for more recent years.

Several levels of government support the magazine industry in Canada. The federal government makes by far the largest contribution through the two programs administered by the Department of Canadian Heritage (PCH): the Publications Assistance Program (PAP) and the Canada

¹¹ Sources: Masthead Magazine reported business starts.

¹² Statistics Canada, Periodicals Publishing, 2003-04, Table 3.

¹³ Informetrica et al., "Economic Contribution," 28-29.

¹⁴ David Coish, "Profile of Selected Culture Industries in Ontario," Statistics Canada Research Paper (March 2006), 28.

Magazine Fund (CMF). In 2006-07, the total budget for PAP was \$60.4 million, of which Canada Post contributed about 25%. Magazines attracted about 60% of total PAP funding. PAP offsets the cost of mailing eligible Canadian magazines (and non-daily newspapers), a significant expense for many publishers. Because it is restricted to paid- and request-circulation titles, most PAP support goes to consumer magazines; very little goes to B2B magazines. In 2006-07, the CMF's budget was about \$16 million, 62.5% of which is earmarked as support for editorial content. Both of these programs are currently under review, motivated in part by Canada Post's announcement that it would withdraw its \$15 million annual contribution from PAP effective 31 March 2009.¹⁵ Overall, federal support for the magazine industry is modest in comparison to investments in other creative industries.

Ontario government financial assistance for the magazine industry is small. Magazines do not currently benefit from the single biggest element of provincial support available to other creative industries, which takes the form of a tax credit jointly administered by OMDC and the Ministry of Finance.¹⁶ The following table illustrates the magnitude of tax credit support provided to each industry:

Table 2. Ontario Tax Credit Support by Sector, 2006-07
\$000s

	Film and Television	Sound Recording	Books	Interactive Digital Media	Magazines	Total*
Tax Credits	183,000	1,445	1,778	5,531	N/A	191,754
Share (%)	95.43	0.75	0.93	2.88	0	100

Source: OMDC. *Total may not add due to rounding.

Direct OMDC program support amounted to about \$7 million in 2006-07. It was distributed between the creative sectors as follows:

Table 3. OMDC Program Funding by Sector, 2006-07
\$000s

	Film	TV	Sound Recording	Books	Interactive Digital Media	Magazines	Total*
OMDC Program Funds	2,662	333	683	1,380	837	1,022	6,917
Share (%)	38.48	4.81	9.87	19.95	12.10	14.78	100

Source: OMDC. *Total may not add due to rounding.

¹⁵ See the discussion paper issued by PCH in January 2008 to support the consultation process: http://www.pch.gc.ca/pc-ch/consultations/fcm-cmf/discussion_e.pdf

¹⁶ The decision to award tax credits is made on the advice of the Ontario Ministry of Finance. The credits are administered by OMDC according to criteria established by legislation.

In addition to these sources of support, the Canada Council, Ontario Arts Council and some municipal arts funding agencies make financial resources available to qualifying magazines, generally those whose mandates relate specifically to the arts.

2.2 Strengths and Success Factors

2.2.1 Industry is stable and viable

The magazine industry is stable and has some significant strengths, which suggest it will remain viable in the future. Canadian magazines offer unique content, developed through their focus on stories and issues that are relevant to Canadian consumer, business and professional communities of interest, and their dedication to providing a Canadian perspective on matters both domestic and international. Magazines have been strikingly successful in retaining and increasing their hold in the Canadian market, despite strong competitive pressure from foreign, particularly American, periodicals. US circulation spill has been declining, from a level of 8.5 million in 2000 to 7.7 million in 2006. The circulation per spill title declined from 15,716 to 13,664 over the same period.¹⁷

Canadian magazine publishers have a significant share of the domestic market with some 41%.¹⁸ This is much greater than most other homegrown creative industries, such as English language film, which has less than 2% of the Canadian market.¹⁹

Publishers emphasize that they have strong “brands” in their magazines. A brand is an intangible asset that may have great value. A strong brand enjoys recognition among customers, which leads to repeat purchases and a willingness to try new products bearing the same brand with more confidence than an unknown product would enjoy. The strength of a magazine brand results from audiences placing a high degree of trust in the magazine and its contents. A magazine’s brand is attached to the full package of the printed title, not merely to its individual articles, illustrations or advertisements. Magazines are the product of a thoughtful selection, solicitation and presentation of both written and visual content, accompanied by suitable advertising that is targeted to the interests of the intended audience.

One of the reasons why Ontario magazines have the trust of their readers is that magazines have developed a high quality, reliable, ethical pool of talent with magazine-related skills, including writing, design and layout, photography and editing. Ontario magazines make a significant contribution to the employment of creative professionals in the province. Magazine publishers also contribute to the education of writers, editors and art directors; many are directly involved with programs in Ontario’s universities and community colleges that train journalists and other creative professionals.

This is not to say that improvement is not possible and desirable. More and better training is required, as is more focused recruiting. Higher levels of remuneration are also required to attract and retain high quality staff. Some experienced freelance writers are giving up writing for

¹⁷ Magazines Canada, “US Magazine Spill: Canadians Choose Canadian Magazines. Fast Facts,” 2007.

¹⁸ PCH, Cultural Industries Branch, “Canadian Magazines Industry Profile,” February 2006, 25.

¹⁹ Telefilm Canada, 2006-2007 Annual Report.

Canadian magazines because of low rates of pay compared to what they obtain for other uses of their skills. Publishers of B2B magazines believe it is particularly difficult for them to retain skilled editorial staff, and fear losing talent to higher-profile consumer magazines once they have invested in training. All publishers find it difficult to attract and retain staff with Internet skills.

Another strength of the Ontario magazine industry is its demonstrated capacity to adapt to changing, and often challenging, market conditions. Publishers emphasize that this is due primarily to the provision of good, relevant, Canadian content. Magazines have a long track record at withstanding competition from new media, and view the current challenge from the Internet as unexceptional. The analogy of magazines' ability to survive the invention of first radio, then television, then specialty television, is apt when applied to the Internet. For one thing, not one of these new media has proved to be a complete substitute for the dominant previous medium: radio does not replace newspapers, and specialty TV, while it cuts significantly into the audiences of conventional broadcasting, does not replace a general-purpose station whose programs are chosen to appeal to the broadest possible audience. Likewise, the Internet excels at meeting certain information and entertainment needs, but not others. It is a superb medium from which to seek instant answers to specific questions, but not – at least not yet – a great way to catch up with what an editor thinks will interest the readers of a magazine that week, month or quarter.

In fact, Canadian magazines are holding and even extending their audiences in the face of competition from the Internet. Measured in terms of issues read per month, magazine readership has grown from 4.4 in 2003 to 5.0 in 2007, at a time when the number of hours per week that all Canadians spend on the World Wide Web – excluding email – has risen from 3.5 to 5.6.²⁰ Even more encouraging, although the 18-24 age group shows the greatest increase in Internet usage, its attention to magazines has also increased. Across all age groups, the people who read the most magazines are also likely to be those who spend the most time with the Internet. This confirms that magazine readers share the perception of many publishers that the Internet is a different medium that is not a perfect substitute for magazines, in the way that it might be for other media. The *Economist* provides a dramatic illustration of this. Subscriptions to this publication have been rising fast, doubling in 10 years. A subscription to the print edition costs C\$189 per year. Yet the whole of the print edition is available on the Internet at www.economist.com at no cost. Clearly, subscribers prefer the convenience and other attributes of the print version, even though it is far more expensive than the online version.

The challenge for Ontario publishers is to convince advertisers that Canadian magazines remain a successful way to reach Canadian consumer and business communities of interest. The fact that magazines retain the attention and trust of readers, even as Canadians spend more and more of their time on the Internet, is vitally important. Advertisers are a crucial audience for this information, as many believe that all “old media” are losing audience to the Internet at the same rate.²¹

²⁰ Source: Print Measurement Bureau.

²¹ See also, for example, MediaVest Study of Print-Digital Media, 2008; highlights at <http://www.mediavestww.com/news/download/MEDIAVEST.PrintOnline.FINAL.3.26.08.pdf>

Media fragmentation and competition have dictated that the most successful approach for Ontario magazines over the past decade has been to detect and exploit a niche where audiences and advertisers find common ground. This may become very specific indeed: publishers noted that they were pursuing underserved advertisers within niches such as spas, emergency services equipment and others which might already seem rather specialized. However, the focus on underserved markets and niches permits Ontario publishers to exploit one of their key strengths: high quality, Canadian content, directed at Canadian consumers and businesses who do not find suitable information from US magazines or other media.

On the whole, Ontario magazines have also risen to the challenge of increasing competition by improving the quality of their products. This applies not only to the provision of timely, targeted, Canadian information and entertainment content to Canadian audiences, but also to the packaging of that content. Production values have generally risen over the past decade, as magazines have been very quick to adopt the advantages of digitization in the production process. Digitization in this medium, as in others, has both enabled the supply of higher quality product and stimulated demand for better-produced magazines.

2.2.2 Success Factors and Best Practices

Publishers consistently identified high quality content as the most important success factor for Canadian magazines.

This accords with the experience of the domestic and international magazines that were identified as offering “best practices” in the industry. *Canadian House and Home* was identified more often than any other domestic magazine as an example of providing excellent content that is in tune with the needs of its core readers. In the US, *Forbes* magazine was frequently cited as an example of best practices, particularly insofar as it has developed a very successful Internet property, *Forbes.com*, which operates almost independently of the print version with its own President, CEO and staff. Produced by a large specialized editorial staff, the site offers business readers 4,000 topical stories per day. The London-based *Economist*²² news magazine has succeeded in defying the experience of most of its counterparts (such as *Time* and *Newsweek*) by selling most (85%) of its copies abroad, and by doubling global sales over the past decade. Operating profits in the first 6 months of 2007 were up 25%. It ranks 18th in newsstand sales in Canada, ahead of most Canadian publications. The *Economist* is widely respected for its content and coverage.²³ Similarly *Donna Hay* magazine, based in Australia, has capitalized on the reputation of its namesake for high quality food presented simply and effectively to produce a magazine that is of very high quality.

Another key success factor is brand extension to other media, marketing and promotional activities, and to relevant goods and services. A number of Canadian magazines have done this

²² The *Economist* describes itself as a newspaper, but in most respects it is indistinguishable from a magazine, even being printed on coated paper, rather than the newsprint of its earlier years.

²³ “It is the magazine that can give its readers the edge by providing information about the world - in economics and politics, about business and trade - that its uniquely up-scale audience feel they must know. It's a magazine that links business people to politicians, a forum that offers them required information about each other in order to help them debate essential issues.” *Evening Standard*, October 2007.

well. Brand extension is most marked in the B2B field. In both the US and UK, face-to-face revenues of business magazine publishers exceed their print and Internet revenues. In Britain, the publisher Informa offers eight different media types: books, distance learning, events, journals, magazines, news and information, performance improvement, and training. Much of this expansion has been achieved through acquisition, but Informa also obtains synergies between magazines and trade shows by using some of the same content in each.

While there are relatively few examples of consumer magazines around the world that have developed a significant Internet business – and there have been some outstanding failures, such as *Time* – there are a number of international successes among B2B publishers. The key success factors here appear to include: early entry; substantial ongoing expenditures on staff (sometimes completely different staff for print and Internet) and content; reliable technology; delivery via multiple platforms; immediacy of the product; and links to related sources. What is particularly interesting is the complementarity of the print and Internet product. To quote a *Forbes* executive: *“The success of Forbes.com has not come at the expense of our print products. In fact, the two media platforms are a great complement to each other. Forbes in print is all about thoughtful analysis of business and investing information, with journalism you won't find anywhere else. Forbes.com is all about immediate access to the news and timely reporting on the day's business events. The information is different, but both share the same editorial voice and perspective on business, wealth creation and upscale lifestyle coverage.”*²⁴

International jurisdictions' best practices are summarized in Appendix C. In most jurisdictions examined, government support is limited to measures, such as reduced or subsidized postal and tax rates, which are available to all elements of the magazine industry. This simple structure enables publishers operating in relatively open markets to decide for themselves what strategies will best serve their titles, audiences and advertisers. A uniform and predictable level of government support also permits publishers to change their strategies fairly quickly. Accordingly the most useful international best practices are those originated by the industry itself, rather than by governments.

2.3 Barriers to Growth

2.3.1 Slim Profits

The accomplishments of Ontario magazine publishers are all the more remarkable because, for the most part, they operate on slim financial margins. There are also limits to their ability to expand the revenue they make from traditional sources.

In 2006, the Ontario periodicals industry achieved average pre-tax profit margins of 10.5%, up slightly from the previous year but down from 13% in 2004.²⁵ This average masks significant variation within the sector: the ten largest publishing companies in Canada accounted for 82%

²⁴ Jim Spanfeller, *Forbes.com*; <http://www.forbes.com/adinfo/spanfeller.html>

²⁵ As defined by Statistics Canada. As discussed in Section 2.1 above, the definition includes publications with limited editorial content. After-tax profits are lower.

of the profits and achieved an operating profit margin of 15.9%, where the rest averaged margins of 4.5% in 2006, down from 6.2% in 2005.²⁶

This makes publishers vulnerable to, and consequently anxious about, developments that threaten existing revenues or promise increases to the cost of essential inputs. Even developments that might seem quite minor to a more profitable industry can cause great concern in magazine publishing because of how little it takes to reverse a situation where a magazine is breaking even or making a slight profit. Tight margins restrict investment in content. Consequently Ontario magazines often have fewer pages than their US counterparts, have to be priced lower and can attract less advertising.

2.3.2 Limitations on Increasing Revenue

Most Ontario publishers are highly dependent on advertising revenue. In 2003/04, fully two-thirds of Ontario periodical publishers' revenue was derived from advertising as opposed to sales (subscription and retail).²⁷ Publishers of B2B magazines are even more reliant on this source of revenue since the dominant business model in that sector is unpaid controlled- or request-circulation. This largely eliminates subscriptions as a source of revenue. Neither consumer nor business magazines rely greatly on newsstand sales for revenue: overall, this source accounted for 5% of periodical revenue in the same period, and was much lower for B2B publishers. Advertising revenue is equally critical for magazines operating in not-for-profit environments, including those serving the visual and other arts and peer-reviewed journals serving medical professionals. Statistics Canada's 2003/2004 study found that advertising revenues contributed 46% of not-for-profit periodicals' total revenues in Canada.

Their dependence on ad revenue is one reason that Ontario publishers point to the Liquor Control Board of Ontario's in-house *Food & Drink* magazine as a threat to their industry. While they recognize its very high quality and production values, publishers complain that the magazine draws many categories of advertising away from competing private-sector publications: not only alcoholic beverage ads, but also automotive, cosmetics, home furnishings and tourism-related ads.

Magazines in Canada command a lower proportion of total advertising spending than do their American and British competitors. Where US and UK magazines have a 14.9% and 12.6% share, respectively, Canadian magazines attract only 6.9% of the total spent on advertising in this country.²⁸ There are several reasons for this. For one thing, since the scale of operations is smaller in Canada, it is more difficult to command high per-page rates. Second, Canadian publishers are prohibited from carrying certain types of advertising, notably direct-to-consumer pharmaceutical advertising, unlike their US counterparts. Third, Canadian magazines attract less than their proportionate share of the advertising budgets of North American advertisers because the latter count on reaching a sufficient proportion of Canadian readers through US titles

²⁶ Statistics Canada, "The Daily" (19 March 2008), 8; Statistics Canada Service Bulletin, "Periodical Publishing: Data Tables, 2006" (March 2008), 2.

²⁷ Coish, "Profile," 21. This compares with 71% for US publishers, but only 36% for British publishers: FIPP, "2007-08 World Magazine Trends."

²⁸ Zenith/Optimedia, FIPP, "2007-08 World Magazine Trends."

circulated here. This affects all magazines. The B2B sector estimates that if an American competitor reaches at least 20% of the total Canadian audience for a given B2B magazine, it will have a significant negative effect on the latter's advertising revenue. Unfortunately, this situation applies to nearly all segments of the Canadian B2B sector.²⁹

Their dependence on advertising revenue makes it imperative that Ontario magazine publishers convince advertisers that the medium remains an effective way to reach audiences. Recent data for the US suggest that spending on advertising on Internet media has now surpassed each of radio, conventional broadcast TV and cable (or specialty) TV, as well as consumer and trade magazines.³⁰ The concern for magazine publishers is that advertisers' move to the Internet not come at their expense. One major advertiser, a vehicle manufacturer, is reputed to have decided early in 2008 to concentrate all its advertising on the Internet, with predictable consequences for magazines. In such an environment, it is difficult for Ontario magazines to increase revenues by increasing ad rates, for fear it accelerates advertisers' substitution of the Internet for their medium.

The next largest source of revenue for Ontario consumer magazine publishers is subscriptions. According to the 2003/04 Statistics Canada data, Ontario publishers traced 17.6% of total revenue to subscriptions. Although Canadian and US magazines sell similar proportions of their output by subscription – 88% in Canada, 86% in the US – Canadian magazines' low share of advertising spending exacerbates their publishers' vulnerability to revenue decreases and cost increases relating to subscriptions.³¹ Only 5% of Ontario magazine revenues result from newsstand sales.³²

Ontario publishers' ability to increase prices to consumers is also limited. In the highly competitive operating environment facing Ontario consumer magazines, publishers fear that any increase in subscription or cover prices will result in the loss of a significant number of readers. Prices are effectively capped by cover prices for US magazines. There is a particular fear that the 18-24 year old demographic may be more price-sensitive than their elders, believing, as many of them do, that information should come to them free of charge.³³

There is also limited potential for Ontario publishers to improve circulation quality, a term that refers generally to ensuring that more copies get to audiences that value the magazine and are, in turn, valuable to advertisers.³⁴ The potential for both data-mining and targeted marketing is limited by access to suitable lists of possible readers. Not only are these lists very expensive in Canada: the small size of the Canadian market makes the lists themselves rather unreliable. The result is that list-based direct marketing programs are unlikely to justify their high costs.

²⁹ Canadian Business Press, "Canadian Circulation Levels of American Publications," March 2008.

³⁰ PricewaterhouseCoopers LLP, "IAB Internet Advertising Revenue Report, 2007 Full-Year Results" (May 2008), 13. Internet advertising revenues were estimated at US\$21.2 billion for 2007, compared to \$13.8 billion for consumer magazines and \$11.1 billion for trade or B2B magazines.

³¹ FIPP, "2007-08 World Magazine Trends".

³² Coish, "Profile," 21.

³³ See Krista Glen, "The Effects of the Internet on the Canadian Magazine Publishing Industry: Creating a Business Model that Just Might Overcome the Virtual Threat" (MBA Dissertation, University of Stirling, August 2007), 21.

³⁴ See for instance Scott McDonald and Rebecca McPheters, "Audience: The Appropriate Measure of Circulation Quality," (2003), available at www.magazine.org/circulation/audience.pdf

With some notable exceptions, publishers see even less potential for increasing revenue from newsstand sales. Canadian content magazines capture less than 10% of domestic newsstand sales. This has been the case for decades. The situation is unique in the world and is driven by the ability of US media to purchase retail “position” and to distribute millions of extra copies into Canada at little incremental cost. A large distributor indicated newsstand sales declined about 3% last year in Canada. Consolidation is affecting both newsstands and other retailers such as grocery and drug store chains, and the remaining participants are squeezing margins for publishers and distributors. Dominant retailers can exact high fees for access to favourable display positions, such as at checkouts. Some major retailers are cutting back on the range of publications they display to focus on bestsellers, which are often American magazines. Retail sales have also become steadily less efficient: the number of magazines sold is declining as a proportion of the total placed on retail shelves. The efficiency or sell through rate of the channel is typically about 35% compared with 85% for subscription sales. Although larger publishers may be able to address efficiency concerns by making better use of point-of-sale data to match stock with demand, at the moment such tools are not available to most smaller magazines, which usually supply so few copies to each outlet that reductions are not feasible. Finally, the difficulties associated with newsstand sales also affect magazines’ main source of revenue. Advertisers tend to value newsstand sales less than they do subscriptions because they tend to be variable. The magazine cannot reliably deliver the same number of sales of each issue from a given outlet. Paradoxically, there is some evidence that customers actually attach a higher value to magazines they buy at full price from newsstands than they do to subscription copies.

2.3.3 Vulnerability to Cost Increases

Ontario publishers’ ability to expand their business is also constrained by rising costs and by significant uncertainty surrounding the likely costs of important inputs over the next years. This affects the production of both printed and digital products and, in most cases, both consumer and B2B magazines.³⁵

Many costs associated with print magazines have the potential to increase quite dramatically. Ontario publishers are particularly concerned with the cost of distributing copies to subscribers and those who receive controlled- and request-circulation magazines. Canada Post’s rates for Publications Mail, upon which most Ontario publishers rely, have increased significantly over the past few years, and are expected to continue to rise.³⁶ However, it is impossible for magazines to predict just how big those increases are going to be, or how they are going to be applied. One unknown is the nature and size of the program or programs that will replace PCH’s current PAP and CMF programs. There are other uncertainties surrounding publishers’ cost of postal distribution. Canada Post has announced its intention to apply distance-based pricing to bring its Publications Mail rates into line with its costs for local, regional and national delivery. Canada Post itself is subject to a strategic review announced on 21 April 2008, which, though

³⁵ Costs associated with digital products are discussed below (section 3.4).

³⁶ In the period 1998 to 2007, letter carrier pre-sorted publication mail rates increased by 35% for a 200-gram magazine and by 104% for a 600-gram magazine. The Consumer Price Index (CPI) rose by 21% over the same period. Michael J. Fox, *Publications Mail Analysis 2007: A Magazine Executive’s Perspective on Canada Post Financial Results*, 2007.

restricted as to the scope of recommendations it may make, is expected to address the corporation's cost structure.³⁷ Although some of the largest Canadian publishers have begun to investigate alternative distribution methods such as carrier delivery, a move to carriers could ultimately reduce the range of homes and businesses in Canada to which copies of magazines can be delivered directly.³⁸

The cost and availability of suitable paper to print on is itself unknown. Several publishers interviewed mentioned the uncertain supply of recycled paper as a barrier to growth. Increased concern for the environment is generating interest in paper that is environmentally friendly, whether recycled, reduced carbon footprint or ancient forest friendly. *Canadian Geographic* has just produced an edition using wheat straw. The increased cost of paper, particularly as fuel costs increase, is likely to continue to be an issue of concern.

Another cost that affects Ontario-based publishers is the disproportionate share they bear of funding Ontario's municipal Blue Box waste diversion programs. While the contribution the magazine industry is required to make is supposed to be spread across First Importers (that is, mailing houses and newsstand distributors) of non-Canadian magazines as well as those who produce periodicals in the province, it has proved to be difficult to enforce the obligation against non-Canadian firms. As the amount of the levy payable to Stewardship Ontario has risen precipitously in the past few years, the results are both unfair and worrisome.³⁹

2.3.4 Limited Access to Capital

The growth of many Ontario publishers is limited by difficulties in gaining access to sufficient capital.

The largest publishers have been able to attract sufficient capital to finance a significant consolidation in the industry over the past few years. Glacier Ventures International Corp. has been particularly active in acquiring B2B magazines. In the consumer segment, the major chains are Transcontinental Media (25 titles), Rogers Publishing Ltd. (22 titles) and St. Joseph Communications (11 titles). Even though the large publishers can attract some capital, the return on investment in magazines is sometimes significantly below those of the other businesses in which their parent companies are involved. This can make them easy targets for divestiture by parent firms looking for a given level of return from each investment they make. For smaller firms it is even more difficult to attract investment. Medium-sized publishers, which issue between 5 and 10 publications, cite difficulties in this respect; many rely on public-sector initiatives such as the Business Development Bank of Canada.

Several factors contribute to this situation. The most significant is the limited profitability of magazine publishing in Canada and the difficulties most publishers face in increasing their revenues. Another factor cited by several publishers is the effect of Canadian ownership and

³⁷ See <http://www.tc.gc.ca/mediaroom/releases/nat/2008/08-h105e.htm>

³⁸ PricewaterhouseCoopers, *Report on Alternate Delivery* (for Magazines Canada), 2006; Rogers Publishing Ltd., *Magazine Alternate Delivery "Proof of Concept" Pilot Test* (Confidential), October 2007.

³⁹ Magazines Canada alleges that Blue Box levies have increased more than 2000% since 2004. Magazines Canada, "Presentation to Deputy Minister of Culture" (March 2008), 10.

control requirements in this sector, which limit the range of possible controlling investors. As a result, price earnings multiples and the ability to attract capital tend to be lower compared with their US counterparts.

3. Towards 2013: Challenges and Opportunities

3.1 Introduction: Assessing Opportunities Realistically

In the face of significant changes in the market and operating environment for Ontario magazines, it is impossible to predict exactly where the industry will be five years from now. However, analysis of its current strengths and weaknesses, as well as the opportunities and threats it faces, suggests several very likely directions for the industry, as well as some possible avenues for growth.

The most significant success factor for the next five years will continue to be high quality, relevant content. Content – well-chosen, well-written, well-illustrated, well-presented articles and information – is the factor that attracts audiences to magazines, whether in print or on-line. In turn, a loyal and growing audience is the most significant factor that publishers can use to attract advertisers, whose support will continue to be essential for Canadian magazines for the foreseeable future. As media markets become increasingly competitive and fragmented by the advent of new claims for the attention of both audiences and advertisers, it will become increasingly important that publishers address barriers to adding more content to their products without losing quality, either in writing or in presentation.

The most significant barrier, of course, is the lack of financial resources to make needed investments. To launch a new magazine of substance requires an expenditure of several million dollars (estimates of \$5 million to \$10 million were given by industry sources) with an expected payback of not less than 5 years. Necessary web expenditures have added greatly to this total. To upgrade content significantly may also involve additional investments of large amounts, on the order of \$1 million, depending on the magazine. Given these levels of required investment it is evident that the current level of provincial funding is unlikely to have any substantial beneficial impact on the Ontario magazine industry.

3.2 Still in Print

All indications are that, in 2013, most consumer magazines in Canada will still be printed and distributed predominantly in hard copy. This is less certain for B2B magazines, but the time frame for a switch to a predominantly electronic medium to communicate within business communities may also be longer than five years.

Not only do most publishers believe they will still be mainly in print in five years' time, despite all the challenges associated with this medium and the exponential growth of the Internet: their view is supported by the available data. As noted above, all age groups in Canada continue to read print magazines, even as their use of the Internet continues to rise.

Print offers a number of advantages as a medium for the kind of information and entertainment package that a magazine represents. It is portable, tactile, easily legible, and offers the reader access to a wide range of titles and subjects at a relatively low cost. It is notable that magazines have not suffered to the same degree as other media – especially sound recording, but also,

increasingly, film-based media such as television and feature films – from file-sharing and other forms of piracy over the Internet. It may be that their product simply does not have the same appeal to the demographic most actively engaged with the web. It also seems likely, however, that other contributing factors include magazines' pricing and the relatively minimal difference in convenience between having a digital copy of the product a magazine delivers accessible directly to one's computer and simply buying a copy from the newsstand or having it brought to one's door as a subscriber.

Obviously not all of these advantages will weigh so heavily with everyone in the magazine's community of interest. Young people, in particular, are more likely to be attracted to Internet-delivered content, even if they lose some of these advantages. The key question is, though, whether there is likely to be significant demographic, technological, or environmental change *over the next five years* to drive a wholesale abandonment of the print medium for magazines. None seems to be too likely.

The demographic issue is different for consumer magazines than it is for B2B titles. Many B2B publishers anticipate that their magazine products will have to be primarily digital by the time the "born digital" generation move into positions of significant power within the companies these publishers serve, which will occur progressively over the next decade. This generation will have received the information they value the most by way of the Internet throughout their lives. To continue to be identified as important information, therefore, B2B titles will have to adapt to digital formats. Consumer magazines may be able to perpetuate the association between reading for pleasure and reading on paper for a longer period, even with this generation; in any case, they will continue to appeal to people in the 25-to-49 and 50+ demographics, which will remain a very large part of the population.

While a technological revolution is possible, it seems unlikely that it will completely unseat the print magazine within the next five years. For a new Internet access device to draw significant numbers of readers from all demographics away from print, it will have to emulate print's attributes of portability, legibility, range and price. Certainly there are plenty of indications that manufacturers are trying to create such an access device – the print-reader analogy to the MP3 player. The most recent dedicated print-reading device, and by all accounts the best yet, is Amazon.com's Kindle, which appeared on the American market late in 2007. The Kindle offers wireless access to a range of books, newspapers and magazines available for download, in most cases for less than US\$10 per item. Users can subscribe to periodicals for regular delivery. The first batch of Kindles sold out in a very short time, despite a purchase price well above US\$300.

The Kindle is not offered in Canada at present. Two main conditions are driving acceptance of the Kindle in the US: availability of e-books and wireless data service capable of delivering a full book in under a minute at a price that makes the Kindle an attractive alternative to buying a paperback. Although Ontario publishers have recently begun to address the demand for e-books and, more importantly, the issues of copyright protection raised by electronic access to books,⁴⁰ it remains true that the supply of this content is still quite limited. The second condition is even more of a problem in Canada. Current rates for wireless data service from Canada's existing

⁴⁰ Some of these issues are discussed in Diane Davy, "The Impact of Digitization on the Book Industry: Report Prepared for the Association of Canadian Publishers," May 2007.

wireless network operators are too high to make the device a viable alternative, even for reading magazines and newspapers. Though Bell Mobility and Telus Mobility both offer mobile data service on the same standard (EVDO) that the Kindle uses on the Sprint network in the US, rates are still considerably higher in Canada.⁴¹

A large number of hand-held, digital and mobile devices could offer similar functionality to the Kindle. The 3G iPhone and iPod Touch, both products from Apple, which are attracting a host of competitors, offer another possible avenue for the evolution of the access device. Both are equipped with a remarkable touch-screen which lets the user navigate, zoom and otherwise modify the appearance of content downloaded from the Internet to a very small mobile phone or MP3 player. Again, though, high rates for mobile data services are slowing adoption of these technologies in Canada. Palm and BlackBerry also offer similar products and various other MP3 and digital devices could also carry magazine publishers' content.

The other possible technological revolution would be a new application for the Internet itself, building on currently popular characteristics such as interactivity and video. The recent growth of the Internet has been driven in large measure by the developments called "Web 2.0". Web 2.0 adds a high degree of interaction to Internet use. Hugely popular applications such as blogs, social networking sites such as MySpace and Facebook, and user-generated content aggregators like YouTube and Wikipedia are all based on the idea that it is the user who creates the content. Many of these social networking sites have grown very quickly and magazine publishers active on the Internet are emulating the idea of building loyal communities among their readers in each of the consumer and business segments. To varying degrees, publishers are building magazine websites that take advantage of these developments. But while these applications can all be useful for creating and extending a community of people interested in the same issues, they are less adept at creating trust in the authority of the information that is shared. Because of this gap, a user-created forum does not entirely substitute for a magazine.

The third potential threat to the endurance of print is, for lack of a better term, environmental. The cost of physical production and distribution of magazines is likely to continue to rise. If fuel costs continue to rise as they have through 2007 and 2008, these increases could be very substantial. Fuel costs affect postal and alternate (carrier) delivery and the price distributors charge publishers for getting physical copies to newsstands and other retail outlets. As fuel and paper prices rise, the cost of printing is likely to increase. Increasing cost and environmental pressure on paper supplies will also lead to price increases for this input. In the face of such cost increases, the pressure for consolidation within the industry will increase.

3.3 A Stronger Print Business

Ongoing cost and market pressures on print magazines will give Ontario publishers an incentive to try to strengthen this business over the next five years. Publishers will focus on trying to increase revenue by seeking out new markets for print and non-print products, and on exerting greater control over costs.

⁴¹ SeaBoard Group, "Wireless Data Prices – How Do Canadians Fare," November 2007; highlights at <http://www.seaboardgroup.com/main/index.php?option=content&task=view&id=705&Itemid=171>.

Ontario's publishers have several options for increasing revenue from print: attracting Canadian readers away from imported competitors; developing markets for new, non-print products based on the creative content that is the magazine's core strength; reaching underserved markets within Canada; and exporting to new markets.

3.3.1 Competing Against Spill and Increasing Exports

The most viable option for increasing print revenues is to capture more of the domestic market. As noted above, Canadian publishers have had success in recent years in offsetting US spill circulation. The key to doing even better is to improve the quality and amount of Canadian content and making sure that readers and advertisers know about these improvements through effective, creative marketing efforts.

On the whole, few Ontario magazines have focused their efforts on finding possible export markets for their titles, either directly or through licensing. This is not unique to Ontario or Canada: the overwhelming majority of magazines in all countries are published almost exclusively for domestic consumption. The industry estimates that as a national aggregate, magazines in every country identified export only about 6% of total distribution, excluding any form of licensing. This is just as true of US magazines as it is elsewhere; but, as with most activity across the Canada-US border, what is a trickle out of the US is a tsunami into Canada.

Several factors limit the export potential of magazines. For one thing, content must be adapted to the specific market or markets targeted for export, requiring significant investment from limited resources. This is usually not merely a matter of changing language or spelling. Most foreign markets – like most Canadian communities of interest – demand content that reflects their attitudes, outlook and preferences and advertisements for goods and services available locally. For Canadian magazines that are actively trying to export to the US, adapting content to appeal to American readers may mean falling below the 80% threshold of Canadian editorial content that limits eligibility to CMF and other direct subsidy as well as tax deductibility of advertising in Canadian magazines. The opportunity cost of lost direct and indirect federal subsidy is part of the calculation each Canadian magazine must make concerning whether to try to export.

In most countries, domestic periodicals, including licensed versions of US publications, dominate local circulation to a far greater extent than in Canada.⁴² There are some exceptions to this rule, but only among the strongest international publications. The *Economist*, for instance, has survived in the very challenging category of weekly news magazines by maintaining high standards of timeliness, thorough coverage, topicality and international appeal, and by producing special sections designed to appeal particularly to crucial markets such as the US. The *New Yorker* still succeeds in a number of foreign markets despite its focus on American political and cultural matters, including listings and advertisements of very local interest. Others magazines succeed by making relatively minor adaptations to address international audiences. Australia's

⁴² For instance, in France it has been estimated that non-French magazines sold account for less than 0.6% of total magazines sold in 2004 and 2005. TCI Management Consultants, "Study of International Policies and Practices Related to Periodicals," for PCH (July 2006).

Donna Hay magazine has attracted an international audience with high production values and attention to the details needed to make the magazine appeal across the English-language world.

Another challenge facing the would-be exporter of Canadian titles is access to foreign newsstands, which is even more competitive, expensive and administratively burdensome than access to Canadian newsstands. Yet the same imperative to promote the magazine to would-be subscribers applies in foreign markets as it does at home. Exporters also need to assess whether the cost of other promotional tools – for instance, subscription campaigns beyond the magazine’s own website, or attendance at non-Canadian trade shows – are justified by potential gains. Several publishers pointed to an advantage of attending foreign trade fairs that greatly outweighs the value of potential new foreign subscribers: advertisers value a magazine more highly if it can demonstrate its potential to reach foreign readers.

The main impediment to export through licensing is the limited financial resources available to Ontario publishers. Licensing a successful magazine format for replication, with additional local content, in foreign markets usually requires the publisher to support its licensees for a period of time. The resources required are beyond the reach of even the largest Canadian publishers. The most successful international licensing ventures are based in the US and benefit from the overlap of content with other extremely successful global exports from the US, notably its film and television industries.

These challenges might prove less of an impediment for B2B titles than for consumer titles, since they are already targeted at specific business or professional “cultures” and rely even less on newsstand sales. Moreover, because B2B titles are under greater pressure to adopt electronic formats to continue to reach the desired audience of decision-makers, there may be easier opportunities available to them to leverage Canadian content into foreign or international digital editions. This is particularly the case where an Ontario-based industry, such as mining or paper production, is a significant part of a global industry.

3.3.2 Reaching Underserved Markets within Canada

Within Canada, Ontario publishers have generally done a good job at identifying niche markets that are poorly served by existing magazines. The large number of new launches every year attests to ongoing efforts to address these niches.⁴³ The recent growth of controlled-circulation magazines in Ontario serving local and regional geographic markets is another manifestation of the emergence of good niche growth opportunities.

However, publishers agree that two demographic categories in particular remain underserved in Canada: young adults (in the 18-24 age group) and older adults (over 50). Both of these gaps can be traced to the perceptions of advertisers. Young people are considered to be less interested in print, and easier to reach through digital media. Until recently some advertisers did not

⁴³ *Masthead* magazine reports an average of 65 new consumer magazines were launched annually from 1997 to 2007; after closures, this averaged 44 new publications each year. The same source reports that, on average, 16 new business or professional titles were launched each year; after closures in this sector, the average gain was 6 titles annually.

consider older adults to be a highly desirable target market, and therefore did not support magazines addressed to their interests.

Ontario publishers also admit they have not yet found a way to serve many of Canada's fast-growing ethno-cultural communities. Some who have tried to address large markets, such as the East Asian community, cite as a barrier the cost of producing a magazine in a language other than English or French. Others note that language is less of an issue than culture. Especially for people born in Canada who identify with their parents' ethnic origin, fluency in Canada's official languages is not the problem. To reach these markets, publishers will need to invest in understanding the concerns, interests and attitudes of minority ethno-cultural communities in Canada well enough to offer magazines that truly appeal to their members.

There may also be scope to create and address unserved niches within markets that are currently targeted by general-interest magazines. However, to launch publications that would reach these niches publishers must convince advertisers that a sufficient market exists – and that the publisher is able to produce content of sufficient quality and quantity to attract readers.

3.3.3 Developing Non-Print Products

Another way Canadian magazines might increase revenues is by extending their brands beyond print magazines.

One significant and growing source of revenue for B2B publications elsewhere in the world is face-to-face revenue. Though broadly defined, the greatest single contributor to this category is trade shows. It has been estimated that in the US, face-to-face revenues of B2B magazines now exceed each of print and digital revenues.⁴⁴ UK B2B publishers report that upwards of 80% of their revenues come from non-print products. There are significant synergies between face-to-face events and more traditional publishing activities. Canadian and foreign B2B publishers re-use content presented at conferences, such as seminars and lectures given by knowledgeable and influential leaders in the industry, in print and electronic output. This extends the life of the conference presentation and expands the revenue-generating opportunities available to the publisher. A British academic and B2B publisher, Taylor & Francis, now part of Informa, the biggest producer of trade shows in the UK, is exploring overlaps between these two areas of business.

Consumer magazines also have opportunities to extend their brands to other media, and some have already begun to explore these options. Some Canadian consumer publications have TV co-productions. Some magazines have successfully extended their brands directly to specialty television by sponsoring programs or even a full channel with content that relates to – and promotes – the printed product. Others have used TV production facilities to produce video content for their websites and other web-only channels. A few have extended the brand to include merchandise sold in stores. Not only do such activities promote the publisher's core products: they also increase the value of advertising in both of the related media, since many advertisers are now looking for multiple-channel or so-called 360° marketing opportunities.

⁴⁴ American Business Media press releases: <http://www.americanbusinessmedia.com/abm/Default.asp>

An option available to all Ontario publishers is to work with interactive media producers to create new web-delivered products that complement the core magazine content and increase the value of the printed title to advertisers and audiences.

So far, each Ontario magazine that has developed non-print revenues has done so on an *ad hoc* basis without the benefit of a “template” or proven methodology for determining which type of activity is most likely to succeed and which has the greatest long term potential. The industry would benefit from the development of such a methodology, which it might obtain from a systematic sharing of experiences and research into what works best in other jurisdictions.

3.4 A Bigger and Stronger Web Presence

It is safe to say that in 2013, as in 2008, all successful Ontario magazines will have a presence on the Internet. What will require concerted effort is ensuring that publishers can position themselves to take advantage of new developments on the Internet, and in particular, new applications or new access devices that have potential to greatly expand the world of digital magazines.

3.4.1 Uncertain Revenues and Costs

Especially for consumer magazines, there is no obvious answer to the question of what sort of digitally delivered magazine product is going to become popular and profitable. Ontario publishers are looking for a strategy to help them position themselves to offer such a product if one does develop over the next few years. Even with uncertain revenues and costs that are difficult to predict and control, though, publishers know they would be foolish to forego the opportunity to be present in the market in the event that digital magazines – or part-magazines, or the next generation of magazines as optimized for the characteristics of the new digital media – suddenly become overwhelmingly popular with their audiences. Minimal profit margins for most publishers convince them that they cannot afford to make mistakes on the Internet, further reinforcing conservatism in the industry.

Most Ontario publishers agree with the growing consensus among industry-watchers: simply making a digital version of a print magazine available for viewing or downloading by the Internet is not the best way to take advantage of new electronic media.⁴⁵ Although a number of magazine publishers have created digital editions and offered them for subscription, most have found the take-up rate for them to be disappointing. Most publishers now offer all or part of the print edition free of charge, although some require registration for all content and some require fees for part of the content. Consequently, the vast majority of revenues from on-line materials have to come from advertising.

On the other hand, there is no consensus around how magazine publishers can derive revenue from their investments in the Internet, beyond certain benefits in terms of marketing and

⁴⁵ Guy Consterdine, “Routes to Success for B2B Publishers’ Websites” (2nd ed., May 2006) and “Routes to Success for Consumer Magazine Websites” (3rd ed., 2007).

promotion which most have been quick to seize. One insightful Ontario publisher noted that while there are millions of websites in the world the vast majority of revenues and users go to the top hundred and a very large portion to the top ten. This observation is supported by available data. Alexa.com monitors traffic on millions of web sites. The top global Internet property, Yahoo.com was visited by 28% of global Internet users in the past 3 months. The top Canadian property, Google.ca was visited by 1.2% of global Internet users in the same period. The top Canadian Internet properties are as follows:

Table 4. Top Canadian Internet Properties⁴⁶

1. Google.ca	2. Windows Live	3. Facebook	4. Yahoo!	5. YouTube
6. Google	7. Wikipedia	8. Microsoft Network (MSN)	9. Msn.ca	10. Blogger.com
11. EBay Canada	12. Myspace	13. Government of Canada	14. PartyPoker.com	15. EBay
16. The Internet Movie Database	17. Kijiji	18. Microsoft Corporation	19. Photobucket image hosting and photo sharing	20. Craigslist.ca
21. TD Canada Trust	22. RapidShare	23. Flickr	24. The Weather Network	25. NHL.com

Some of the larger sites such as Yahoo and Microsoft carry magazine content within their sites. The more highly ranked media sites include (43) CBC.ca, primarily TV and radio; (47) Canada.com which includes a range of services including links to Canadian newspapers; (52) Canoe.ca, which provides Canadian sports, finance, entertainment, finance and business news; (66) TSN.ca sports; (77) The Toronto Star; and (86) Rogers.com.

The three-month average global Internet views for Rogers.com was 0.025% and their site is ranked 3,866th overall. 1% of the overall site visitors visit “other websites” within the overall Rogers site, which would include the page on their publications. While these percentages may seem small, they should not be discounted, as a small percent of a large number can still represent a large amount of traffic.

The larger Internet properties receive a large share of total Internet traffic with magazines well down the list in a crowded marketplace. For instance Macleans.ca ranks 42,562 of all websites visited and receives 0.003% of total web traffic.

Clearly, while the Internet is very popular with users and some websites are enjoying rapidly increasing revenues, competition is extraordinarily strong. Moreover, many users object strongly to any advertising on the Internet. One industry executive cited a blog that attracted many users but as soon as any advertising was detected traffic diminished remarkably quickly. This phenomenon means that advertisers must choose where they advertise with care, or they may offend the very audience they wish to reach.

⁴⁶ Source: Alexa.com

The Interactive Advertising Bureau of Canada (IABC) reports that Canadian online advertising revenue was \$1.2 billion in 2007, a 38% increase over 2006.⁴⁷ This compares with growth rates of about 3.9% for traditional major media.⁴⁸ The IABC shows 2007 online advertising revenues split as follows:

Table 5. Internet Advertising, 2007⁴⁹

	2007	Share	Change from 2006
Display (e.g., banners, pop-ups)	\$432M	35%	+38%
Video	\$9M	1%	NA
Search	\$478M	38%	+39%
Classifieds/Directories	\$305M	25%	+37%
Email	\$17M	1%	-15%
Total	\$1.24B	100%	+38%

The display category is the one which is most likely to interest magazine publishers as it presents the greatest opportunity to show links between the advertising and website content.

Every publisher interviewed operates a website. All recognize that it is an essential promotional tool for the magazine: both readers and advertisers expect to be able to find magazines on the Internet, and a website, once created, can be used effectively to promote both the print product and the authority of the magazine itself as a source of timely, accurate information, even between issues. Most also believe that it is essential to have a web presence so as to be able to move relatively quickly to take advantage of any sudden change that might make digital magazines a more compelling proposition for their audiences. Magazine publishers confirm that the Internet offers a cost-effective way to manage subscriptions and renewals, one that is both efficient and much less expensive than the paper-based alternative. Some publishers have also been able to create loyal online communities by extending their Internet presence to tools, such as social networking and blogging, that encourage readers to interact with one another and, incidentally, with the editorial staff.⁵⁰

Publishers are aware of and concerned with how to manage the costs of establishing and maintaining an effective digital presence, especially with the Internet itself still rapidly evolving. Focusing on the Internet not only requires the publisher to acquire often expensive programming

⁴⁷ IABC, "2007 Canadian Online Advertising Revenue Climbs to \$1.2 Billion," 3 July 2008; available at www.iabcanada.com/newsletters/080703.shtml

⁴⁸ Television Bureau of Canada, Net Ad Volume, 2006.

⁴⁹ IABC, "2007 Canadian Online Advertising."

⁵⁰ Glen, "Effects of the Internet," gives the example of a magazine whose target market of teen-aged girls was attracted by the social networking site it established. Not only did this provide the audience with a valued benefit; it also enabled editors, publishers and sales forces to learn more about the preferences of the target demographic. Glen, 68.

help: there is often an opportunity cost, too, since often it is hard-pressed internal staff resources who are required to update or generate additional content for the websites. Few writers' agreements for consumer publications in Ontario specify what if anything the writer is to be paid for subsequent use of his or her content on the Internet; in fact, low per-word rates from these titles have traditionally been justified as providing the publisher with first use rights only. The situation is different in B2B magazines. Although there does not seem to be an industry standard writers' agreement, it is more usual to spell out the extent of subsequent use (such as digital distribution) that the writer has agreed to sell to the publisher. Investment in physical plant is also an issue, one that may become even more significant if video becomes more important as it is expected to be. Some publishers have already experienced difficulty in making investments needed in physical plant to make sure their web sites are able to cope with the traffic they generate.

3.4.2 A Strategy for Digital Success

Those consumer publications around the world that seem to have done best on the Web, such as Forbes.com and some of the Haymarket publications in the UK, deal in topics where value is attached to the immediacy of information. The Internet is the ideal medium to deliver this sort of content. Successful publishers have been able to monetize their timely content by advertising on multiple platforms and by selling in-depth articles and features that can be tied in to the print copy. In some cases, e.g. Haymarket's autosport.com, part of the content of the web site is free but more in-depth materials require subscriptions. Some blend of strong advertiser support plus some subscription enhances profitability. In all cases, as with print, the critical factor is strong content. Not only does digital content have to be of high quality but also the amount and variety has to be much greater than on the print site. A second important though costly factor is the ability to deliver content through a wide variety of platforms and formats. The most likely growth areas are mobile and video. Forbes.com, for example, has 2 video studios producing 50 to 60 videos per week.

The Internet also offers opportunities for magazines to quantify the value of advertising on their websites and in their print products that Ontario publishers have not yet fully exploited. Industry associations such as the IABC offer best practices advice concerning the measurement of the effectiveness and reach of Internet advertising campaigns, and emphasize that there must be a high degree of communication between advertiser and publisher to make measurement effective.⁵¹ Some publishers freely admitted that they did not know how often their own websites, let alone the ads attached to those websites, were being viewed, nor how often views might translate into online or offline sales.

B2B magazines are under more pressure to adopt digital formats than their consumer equivalents, since their target audiences of business decision-makers increasingly expect to get all business-related information in digital form. With this increased pressure, though, comes the potential to find new revenue sources from existing readers and advertisers. For example, Ontario publishers report having had success with add-on digital products such as interactive directories, e-newsletters they can issue as and when relevant news breaks and electronic

⁵¹ See for example IAB Canada Guideline Document, Online Ad Campaign Measurement, available for download at http://www.iabcanada.com/reports/ad_measurement.pdf.

databases. These publishers have been slow to initiate web-delivered events, such as virtual trade shows, compared to their American competitors.⁵² Again, stretched programming and editorial resources make it difficult to anticipate or respond to new market possibilities and needs.

In the meantime, publishers should continue to explore the potential of the Internet to increase audience loyalty, whether by unbundling (making single items such as articles or between-issue updates available for download), rebundling (enabling the reader to customize the magazine so that the print product contains only the elements the reader chooses), or adding interactive content to build the community of readers.

Some of the applications and access devices that could change the market for Canadian magazines are foreseeable. Applications that add video and audio components, whether live or pre-recorded, and tools to increase interaction between readers, writers, editors and other potential members of a magazine's community of interest will no doubt continue to appear, and magazine publishers should position themselves to take advantage of those that can apply to their specific target markets. It is also a safe bet that mobile devices, like the 3G iPhone and the BlackBerry will continue to be developed that take advantage of greater bandwidth, making text, video and audio easier and, as Canadian market conditions permit, less expensive to access.

Other applications and access devices are not on publishers' horizons at the moment. The wise strategy for Ontario magazines is to find a way to monitor developments that might affect demand, either from readers or from advertisers, and respond quickly to develop new products and extend their brands when the opportunity arises.

Ontario's publishers should pay more attention to the measurement potential afforded by the Internet. This applies not only to advertising but also to editorial content. As freelance writers' agreements evolve to specify compensation for subsequent uses of digital content, publishers will need to be able to count downloads and to track where content they put on their websites appears elsewhere on the Internet. International publishers' initiatives such as the Automated Content Access Protocol, described as a "non-proprietary global permissions tool", may prove helpful in this respect.⁵³ Few Ontario publishers seem aware of this initiative or of the problems it was intended to address.

Exploring opportunities to extend their presence in domestic and international markets through the Internet can be both costly and risky for even the largest Ontario magazine publishers. However, even small publishers agree that, although they may not know precisely how to grow into this space, they must find a way to make the required investments. Digital creation and distribution offers publishers of all sizes a way to take greater advantage of their existing content – as well as strong, positive incentives to create even stronger and more attractive stories, pictures and related features.

⁵² Forrester, "The Digital Transformation: Canadian Study."

⁵³ <http://www.the-acap.org/>

4. Achieving World-Class Creative Standards: A Strategy for Ontario's Magazines

4.1 Introduction: Strategic Objectives for a Viable Industry

The Ontario magazine industry is the most viable of the industries that form the creative cluster, with the largest share of market and a relatively strong financial situation. Possibly because it does not require subsidy to exist, it has received less provincial government support than other creative industries. However, in view of the Ontario government's creative cluster strategy, which seeks to offset declines in traditional manufacturing by investing in businesses that are sound and have growth potential, it is reasonable to expect a reversal of this funding position. In other words, one would expect the strategy to favour those businesses, like magazines, that do not need subsidy but which can build on their current success and leverage government investment to achieve sustainable growth.

For magazines, the key to growth is to achieve world-class creative standards. In practice, magazines must continue to improve both the quantity and the quality of the creative content that makes them distinctive, trusted and valued by readers and by advertisers. The business climate that will support and develop strong cultural firms in the magazine sector is one that enables publishers to make the necessary investments to acquire higher quality content, to include more of it in their magazines, and to market this achievement to readers and advertisers alike.

Ontario's publishers have the potential to increase their share of the Canadian magazine market and continue to contribute to the creation of Canadian intellectual property, but they face significant financial and technological challenges which threaten their ability to make the investments necessary to reach their potential. Though both consumer and B2B magazines should invest to achieve greater revenues in the same three strategic areas (print, digital and brand extension), the priorities differ, as summarized in the following table:

Table 6. Summary of Growth Strategy, 2008-2013

Priority	Consumer Magazines	B2B Magazines
1	Print <ul style="list-style-type: none"> ▪ Strengthen content ▪ Publicize strong content to readers and advertisers 	Digital <ul style="list-style-type: none"> ▪ Invest in online content, delivery methods to reach Canadian and foreign decision-makers
2	Digital <ul style="list-style-type: none"> ▪ Experiment to find profitable uses of the Internet and digital media 	Brand Extension <ul style="list-style-type: none"> ▪ Actively seek opportunities to reach decision-makers through online and face-to-face means
3	Brand Extension <ul style="list-style-type: none"> ▪ Explore ventures as opportunities arise 	Print <ul style="list-style-type: none"> ▪ Don't neglect content or presentation of print product

4.2 Supporting the Strategy

To create sustainable growth in the magazine industry requires significant investment by industry and government in addition to current programs. Because an investment on the order of \$250,000 is required to make a significant difference to a single major magazine, we estimate that tens of millions of dollars will be needed. A new government program structured to allow participation by a mix of large, medium and small publishers, that requires publishers themselves to contribute at a rate that ensures that only responsible investments are made, and that funds only incremental investments in content, might cost in the order of \$20 million annually.⁵⁴ This is equal to about a 10% increase in the estimated expenditure of all Ontario periodicals on editorial and design. A less robust investment in the industry may not achieve the identified potential for stability and growth.⁵⁵

While detailed calculation of the economic impact of increased investment in the magazine industry was beyond the scope of this study, it should be noted that the Ontario industry currently generates, directly and indirectly, some 9000 jobs with an annual expenditure of about \$200 million on content. If content expenditures were to rise by up to \$40 million (assuming industry matches government funding), it would not be unreasonable to expect a roughly proportionate increase in employment i.e. up to 1800 new jobs.

In considering a new investment in Ontario's magazine industry, the government must consider the best mechanism for management. It is apparent that OMDC's current budget does not allow for a reallocation of financial resources. However, the Province may wish to consider the Agency as a vehicle to administer a newly-funded magazine initiative given its experience with funding programs.

The primary responsibility for meeting world-class creative standards rests with publishers themselves. They are in the best position to assess market opportunities and technological options and must ultimately gauge the degree of risk they, and their shareholders, are willing to accept. However, significant opportunities do exist for the industry to act collectively to support its members' efforts, and for various levels of government in Canada to contribute, both directly by alleviating expense or supplementing revenue, and indirectly by supporting collective actions by the industry.

4.3 Industry Actions

The magazine industry in Ontario has been very successful at working together. In part this is because most publishers recognize that their primary competitive challenge comes from foreign, especially American, magazines rather than one another. Industry associations can contribute to

⁵⁴ Magazines Canada, "Increasing Competitiveness: A Magazine Tax Credit for Ontario" (December 2005).

⁵⁵ The estimate of 2008 editorial and design expenditures was derived as follows. In 2003-04, editorial and design expenditures were \$144 million, or 17.3% of all operating expenditures of Ontario periodicals (Coish, *Profile*, 28). From 2004 to 2006, total operating expenditures of Ontario periodicals rose by 17.7% (Statistics Canada, *The Daily*, 5 July 2007; *Service Bulletin, Periodical Publishing: Data Tables, 2006*, 2). Assuming similar growth from 2006 to 2008 would increase total operating expenditures to \$1,236 million in 2008. At 17.3% of this total, editorial and design expenditures would thus be an estimated \$213 million.

the strategy of achieving world-class creative standards by building on the following existing activities:

- **Research:** Research is needed to ascertain the behaviour and desires of advertisers and to support publishers' claims that magazines remain a highly effective way to reach and influence decision-makers in charge of business and consumer purchases. Advertisers need to be presented with research-based information about the relative costs and benefits of print and digital magazine advertising as the industry evolves.
- **Marketing and Promotion:** If content amount and quality is improved through substantial additional support, publishers will need to inform readers and advertisers of these improvements to ensure that increases in revenues match increased expenditures. Here again the trade associations can build upon successful past campaigns such as those undertaken to encourage Canadians to buy Canadian magazines.
- **Training:** The industry's trade associations, most extensively by Magazines Canada, currently offer training and industry certification for publishing staff and executives. Publishers confirm that this training, which takes the form of conferences and seminars, is useful, both as a way to deliver content to upgrade skills, and as a forum for networking and exchanging information. As the market and technology environment in which magazines operate changes, the need for these initiatives and for more targeted, cost-effective training programs will increase. Best practices research supports the importance of training.

The trade associations can also help their members to meet the challenge of digital media in specific ways, including the following initiatives:

- **Digital capacity-building:** Many publishers, particularly smaller ones, need to gain access to sophisticated programming assistance to upgrade from existing, static websites to more dynamic and attractive ones and to position themselves to participate in profit-making ventures over the Internet while protecting security and content integrity. An industry-wide initiative to retain digital media specialists to lend their expertise to help participating publishers develop their digital capacity could leverage larger buying power to achieve cost savings and access to more sophisticated solutions than small publishers can buy on their own.
- **Measurement and assessment:** Trade associations are well positioned to research and educate their members about the tools being developed to measure and track Internet usage. This measurement is important in setting ad rates and freelance writers' agreements. It is also important that publishers get feedback as quickly as possible about what is working and what is not, so that they can adjust their digital strategy as they seek ways to monetize their digital investments.

Trade associations can also support both consumer and B2B publishers in developing ancillary revenues through brand extension. As noted, B2B publishers in the US and UK derive a large part of their revenues from these sources. Although there is some expertise in developing non-print and non-online revenues among individual Canadian publishers, most ventures have been

ad hoc and there is no easily accessible expertise on this subject. The industry associations could collect information on the subject from their members and others abroad and hire experts in the field to expand their educational initiatives for industry members.

Governments at all levels, and particularly the OMDC, can usefully support the magazine industry by funding these self-help activities, so long as the industry itself remains primarily responsible for identifying requirements and designing projects to meet them. Industry self-help initiatives can be operated collectively through the trade associations that represent consumer and business magazines and the writers who contribute to them, or through consortia of publishers and others, including the associations, which share a specific interest. Funding mechanisms such as the existing Entertainment and Creative Cluster Partnerships Fund should be available to support such initiatives.

4.4 Federal Government Support

As noted above, the federal government, through the Department of Canadian Heritage, currently provides project funding through the CMF as well as a program to offset postal distribution costs, the PAP.

The publishers who are eligible for it emphasized that the PAP mechanism is particularly helpful to them for three reasons. First, by reducing the cost of a necessary input (delivery of hard copy magazines), PAP support frees up revenue that can be then be reinvested in magazine content or production as the publisher perceives its needs and opportunities. Second, PAP support is applied as an offset to a recurring expense as it occurs. Therefore it is available to qualifying magazines every time they send out an issue, not just at the end of the year. Third, PAP support brings Canadian publishers' mailing costs more in line with US periodical mailing rates which helps domestic magazines to remain competitive.

Many publishers stressed the importance of retaining PAP support (or a very similar program) at current or even higher levels of funding. Even publishers that do not qualify for this support under the current rules – primarily B2B publishers – agree, although they are also urging PCH to extend its availability, pointing to the reduction in size of the industry after controlled-circulation magazines were made ineligible for PAP offsets in the early 1990s.

4.5 Ontario Government Support

4.5.1 A New Tax Credit for Magazines

The Ontario Ministry of Culture recently outlined its approach to developing the creative cluster, of which Ontario's magazines are a key part:

The Ministry's economic cluster development approach involves fostering a business climate that is conducive to building strong cultural firms. Cluster companies that are

*able to adapt to emerging technologies and produce marketable portfolios of creative content are better able to reinvest in new creative endeavours.*⁵⁶

For the most part, current Ontario government direct support for the magazine industry takes the form of project funding which provides revenue directly to publishers. Unlike other creative industries, the Ontario magazine industry does not benefit from a tax credit program to offset costs. The tax credit programs available to other industries are established by legislation and are administered jointly by OMDC and the Ministry of Finance.

In view of the magnitude of the investment that would need to be made to help Ontario magazine publishers achieve world-class creative standards, the most effective tool available to the Ontario government to help Ontario's magazine publishers is a new tax credit program. The tax credit mechanism has some major advantages over other means of delivering financial assistance:

- Claiming tax credits is a matter of ensuring that projects meet established eligibility criteria. Although recipients of the tax credits that OMDC currently administers complain that the application process is onerous and cumbersome,⁵⁷ it is still preferable from the point of view of a competitive company to a process where every application for support must be judged individually by a jury process. It should also be preferable from the point of view of OMDC, since the eligibility process is more certain and less *ad hoc* than the grant process. OMDC is not placed into the untenable position of having to pick potential winners in a rapidly changing industry and environment;
- Recipients can take the credit into account in planning their activities over a number of years. By contrast, OMDC's existing grant programs tend to focus on one-time support. Even the Entertainment and Creative Cluster Partnerships Fund has been structured as a finite mechanism intended to permit transitional projects;
- A tax credit that is structured to be refundable, as are all of the existing credits administered by OMDC and the Ministry of Finance, can provide assistance across the industry. It is not restricted to profitable, and hence tax-paying, firms, which in the case of the magazine industry tend to be the largest companies. Instead, smaller entrepreneurial firms that do not yet make a profit can also benefit from this support mechanism.⁵⁸

If it proves impossible to convince the Ministry of Finance to create a magazine tax credit, other mechanisms are available that achieve these benefits better than case-by-case grant programs, such as grant programs tied to objective and easily-measured criteria such as sales or number of copies mailed.

Our recommendation in favour of tax credits is also based on the stated preference of many in the industry. Their main objection to the current process of project-based funding is not so much

⁵⁶ Ontario Ministry of Culture, "Comments in Response to Broadcasting Notice of Public Hearing CRTC 2007-10," 25 January 2008, ¶ 11.

⁵⁷ Consultations undertaken by OMDC.

⁵⁸ We note that, because tax credits are governed by the Ontario *Corporations Tax Act*, recipients must be incorporated entities, as opposed to partnerships or foundations. Eligibility for tax credit could then become one factor among several that govern a firm's choice of corporate structure.

dissatisfaction with the methods used to select projects, but rather the perception that the current level of OMDC funding is too small to have a significant impact on this industry. If the Ontario government wishes to assist this creative industry by fostering a business climate conducive to growth and reinvestment in creative content, it should consider adding to the existing forms of support.

There are two notable disadvantages to the existing tax credit programs for other creative industries:

- Transaction costs can be high. Recipients may need legal and accounting assistance to prepare the financial statements, etc., required in support of a request for this form of support;
- Support comes after the end of the financial year, rather than as the relevant expense is incurred. This means that for a recipient to be able to translate the benefit to revenue it can use to fund its operations, it must be able to borrow against the credit.

For these reasons, there is a perception in the industry that tax credits are most useful to larger firms. Since there are many small and medium enterprises in the Ontario publishing industry, consideration should be given to establishing a diminishing percentage of government funding as the amount given to any one magazine rises, with a cap on the maximum amount available to any one magazine. The tiered percentage structure of the existing Ontario Interactive Digital Media Tax Credit might also provide a useful model for a new tax credit given the structure of the Ontario publishing industry.

We recommend that any new funding mechanism (whether in the form of a tax credit or otherwise) should focus on upgrading content. Eligible publishers would be able to claim a refundable tax credit in respect of input costs that are closely related to one of two objectives: upgrading the amount and quality of editorial content in a magazine that had proved its viability by being in existence for at least three years; or upgrading and increasing the amount and variety of the content it distributes digitally. To ensure government funds are used to grow, we recommend that they be paid in respect of *incremental* expenditures on content. Program designers should consider how the administrative burden of measuring such expenditures might be reduced.

Eligible expenditures in relation to content upgrading should include labour inputs, broadly defined to include freelance writers and other creative artists. The periodical nature of magazines should not restrict their ability to access tax credits. Although some of the existing credits, such as the Ontario Book Publishing Tax Credit, are oriented towards single projects (in that case, the creation of a discrete book), others, notably the Ontario Film and Television Tax Credit, accommodate the production of a recurring title (in that case, television series). To minimize administrative burden and recognize the periodical nature of magazines, publishers should not be required to qualify for the new tax credit more than once a year.

Labour costs could also be the focus of eligible spending relating to digitization projects, in view of the primacy of concerns about access to skills and workers' time among the costs of

developing, maintaining and continuously updating web-suitable content. A broader definition of eligible labour would be appropriate in this case. In addition, the current OIDMTC could be modified to be more useful to magazine publishers in respect of expenditures incurred for digital products that make use of creative content by, for instance, clarifying that expenditures on in-house design of interactive media for publicly-accessible websites qualify for credit.

Finally, it should be noted that it is not the purpose of this report to design programs; rather it is to recommend strategy. Apart from the comments regarding leveraging government funds through some level of private funding, the other suggestions made above regarding program design are not essential to the achievement of the proposed strategy. Details of any funding program will have to be worked out once the broad framework of investment programs is agreed.

4.5.2 Other OMDC Contributions

There is a consensus among magazine publishers that OMDC should make every effort to obtain substantial additional funding for this sector. As the liaison between the Ontario government and the creative sectors, OMDC is in a good position to seek additional support and administer significant additional funding for the magazine industry, focused on supporting content creation, on marketing the resulting improved products to users and advertisers, and on adaptation to emerging technologies.

The OMDC currently funds a range of activities on behalf of the magazine industry by its trade associations, and we urge the agency to continue and, if possible, expand the support it provides for the self-help activities outlined above. The agency can also play an important part in two other ways:

- By acting as a forum and facilitator to build connections between Ontario's publishers and firms from other creative sectors; and
- By assisting the industry in its efforts to sensitize both the federal and the provincial government to the deleterious effects and consequences of certain policy and operational initiatives.

“Networks of Creation”

OMDC currently plays an important role in facilitating linkages across the creative cluster, permitting, for example, magazine publishers to meet and learn from television and interactive digital media producers. The establishment of innovative “networks of creation” has been identified as a strategy to overcome challenges of scale for Ontario-based creative industries.⁵⁹ Although the Entertainment and Creative Cluster Partnerships Fund may be useful in this respect, we note that several publishers have also credited less formal OMDC initiatives for making the introductions that have permitted them to extend their brands into other media. In partnership with the trade associations, OMDC can further develop its capacity to create networking opportunities. OMDC staff can also benefit from these activities by learning more about the sectors their activities are intended to support.

⁵⁹ Ontario Ministry of Culture, “Comments,” ¶ 11.

Informal or formal learning and networking sessions should be structured around issues that are or may become important to magazine publishers and which also affect others in the creative cluster. Such issues include: reforms and extension to copyright law, including digital rights management technologies and tracking systems for access to creative content over the Internet; research issues, including encouraging Statistics Canada to make useful data available concerning Canada's creative industries; and lessons learned from activities that extend the brands associated with cultural productions, such as magazines, to other media.

Supporting Sector Advocacy

Magazine publishers agree that OMDC and the Ministry have a role to play in advancing the interests of magazine publishers with other parts of the Ontario government and other levels of government.

Magazine publishers and the trade associations that represent them are uncomfortable relying on OMDC to bring forward issues on their behalf, either within or outside of the Ontario government. Yet on both policy and operational matters, publishers are convinced that their views have not been heard. They point, in particular, to the two ongoing problems posed by the operation of agencies or corporate entities under the direct supervision of the Ontario government: the loss of advertising revenue to the LCBO's *Food & Drink* magazine and the disproportionate share they now pay through Stewardship Ontario to support municipal Blue Box recycling programs.

In the consultation, TCI heard that publishers would welcome more support from OMDC to finding solutions for these issues and, more generally, for activities designed to raise the profile of the magazine publishing industry in policy and operational discussions within the Ontario government. Useful support would include making the results of research activities easily available and identifying and facilitating contacts within the government.

Also in the consultation, TCI heard that where solutions require coordination with the federal government, OMDC can help by supporting the industry's efforts to address policy and operational issues with that level of government. An example is the Blue Box programs. More effective allocation of a fair share of industry support obligations to importers may require coordination and cooperation with the federal government. Provincial governments have experience and expertise at implementing cooperative programs with the Government of Canada to achieve mutual objectives. Magazine publishers could benefit from this experience and expertise in proposing solutions to both levels of government that are practical and effective.

4.6 Conclusion

The magazine industry has an opportunity to enhance print revenues and develop significant revenues from on-line and face-to-face sources, and publishers and the associations that represent them should play a leading role in identifying needs and opportunities and in deciding how best to respond. However, achieving world-class creative Canadian content in the magazine industry will require large investments from the public sector to stimulate private investment. The current level of funding to magazines is inadequate to have any significant impact on the achievement of the sector's strategy, although no publisher would turn down any assistance.

As the most viable of the sectors that make up the creative cluster, the Ontario magazine industry represents the best chance to achieve the province's strategic goals for the cluster. It also generates enough cultural content, employment and economic impact to justify comparable levels of funding per job to those enjoyed by other sectors that the Ontario government supports directly through the Ministry of Culture and OMDC and through OMDC-administered tax credit programs. To implement the recommended strategy requires enhanced levels of funding and accordingly we join the magazine industry in urging the Province to allocate \$20 million in additional funding for this industry.

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Appendix B: Interviews

Name	Contact Information	
Industry		
Ambrose, Shelley	Publisher & Executive Director The Walrus	
Botting, Harvey	Formerly Senior VP Business Information Group, Rogers	
Boyd, Phil	President Canadian Business Press	Member, Industry Advisory and Steering Committees
Cooper, Alex	Sr. Partner Canadian Home Media	
Creighton, Bruce	President Business Information Group	
Degen, John	Executive Director Professional Writers Association of Canada	
Dehaas, David	Director of Publications College of Family Physicians of Canada	
Douglas, Andrew	Publisher Dog Sport Magazine	
Fox, Michael	Sr. Vice-President Rogers Publishing Ltd.	
Fredericks, Mike	President Annex Publishing & Printing Ltd.	
Garland, Gary	Executive Director, Advertising Services Magazines Canada	
Glionna, Jim	President Newcom Business Media	
Hall, Jim	President & COO Keith Communications Inc.	
Hiscox, Niel	Executive VP CLB Media Inc.	Member, Industry Advisory Committee
Hobel, John	Publisher Carswell Thomson Professional Publishing	
Howe, Jacqueline	Sr. VP, English language titles Transcontinental Media	
Hughes, Mary	Editor-in-Chief Harworth Publishing Inc.	Member, Industry Advisory Committee

Name	Contact Information	
Jamison, Mark	Chief Executive Officer Magazines Canada	Member, Industry Advisory and Steering Committees
Knight, Douglas	President St. Joseph Communications	
Kral, Ellen	Publisher Kenilworth Media	
Latham, Todd	Owner, publisher WE Communications	
Light, Brian	President Salon Communications Inc.	Member, Industry Advisory Committee
Luton, Rob	President LVP Media Inc.	
McAuley, Sharon	Sr. VP and Publisher Toronto Life (St. Joseph)	Chair, Industry Advisory and Steering Committees
McClung, David	President Baxter Travel Group	
Miller, Kirby	Sr. Partner, Ad Sales Canadian Home Media	
Prefontaine, André	President Canadian Geographic	
Robinson, Matt	President Outpost	Member, Industry Advisory and Steering Committees
Rosser, Deb	VP and Publisher Canadian Business (Rogers)	
Sellwood, Ron	Account Executive Coast to Coast Newsstand Services	
Sellwood, Terry	General Manager Quarto Communications (Cottage Life, Explore)	Member, Industry Advisory Committee
Shearer, Jeffrey	Publisher On the Bay	
Skira, Ed	Publisher and Editor Chart Magazine	Member, Industry Advisory Committee
Thomas, Larry	VP and Publisher Readers Digest Canada	
Thomson, John	Senior Adviser Green Living Enterprises	Member, Industry Advisory Committee
Walsh, Patrick	Editor Outdoor Canada	Member, Industry Advisory Committee
Ward, Melony	Publisher Canadian Art	

Name	Contact Information	
Whittington-Hill, Lisa	Publisher THIS Magazine	Member, Industry Advisory Committee
Young, Sara	President Youngblood Publishing Ltd.	
Zicovitz, Al	Owner Quarto (Cottage Life, Explore)	
<i>International</i>		
Crow, Sabrina	SVP, Marketing/Media Nielsen Business Media (US)	
Finn, Anne	Sr. Vice President/Consumer Marketing Magazine Publishers of America	
Hughes, Gordon	President & CEO American Business Media	
Kuvin, Joshua	Chief Technical Officer American Business Media	
Locks, Ian	Chief Executive Periodicals Publishing Association (UK)	
Sachinis, Harry	President, Business Information Group McGraw-Hill Companies (US)	
Smith, Tad	CEO Reed Business Information (US)	
<i>Provincial Government</i>		
Blitz, Jennifer	Director, Tax Credits & Financing Programs Ontario Media Development Corporation	
Hawkins, Janet	Program Consultant Ontario Media Development Corporation	
Muir, Cherith Rachel	Director, Business Affairs & Research Ontario Media Development Corporation	
Murphy, Kristine	Director, Industry Development Ontario Media Development Corporation	
Parsons, John	Sr. Policy Advisor, Culture, Culture Policy Unit Ont. Ministry of Culture	
Ratchford, Donna	A/Director, Culture, Policy Branch Ontario Ministry of Culture	
<i>Federal Government</i>		
Shortliffe, Scott	Director Periodical Publishing Policy & Programs Department of Canadian Heritage (PCH)	

Appendix C. International Best Practices

Introduction

Like the industry itself, government policy in support of the world's magazine publishers tends to be mature and stable. In most countries, the main pillar of support has been reduced rates for mailing magazines and other periodicals. In several countries, including the United States and Canada, the tradition of subsidizing postal distribution of periodicals dates to the mid-19th century.

Government support policies affect the industries they target in ways that are often helpful; but there are less positive effects, too. Any useful assessment of best practices must consider these unintended consequences of support and should provide some direction as to how Ontario's resources should be deployed in support of magazine publishers as a creative industry.

As part of the study, we examined one jurisdiction (France) which, like Canada and Ontario, provides an array of support mechanisms targeted to specific parts of the periodicals industry and intended to achieve given objectives, such as digitization of the newsstand distribution system or increased exports. We also looked at three jurisdictions (Australia, the United States and the United Kingdom) where support is confined to some basic, broadly-applicable mechanisms such as postal subsidies and tax rate reductions. In the latter jurisdictions, the best practices that offer strategic guidance to the Ontario magazine industry and to OMDC are those which have been developed by the industry itself.

The results of this research suggest that when it comes to government support for the magazine industry, simpler is better. Measures that do not discriminate between periodicals on the basis of their content, the business model they adopt, or even their form of distribution (primarily, print or digital) leave the industry relatively free to experiment in order to meet changing market conditions. By contrast, support measures that respond too closely to observed or anticipated market conditions have a tendency to create expectations among recipients and consequently rigidities in the system. An important exception to this rule is measures intended to ease the transition to a new set of market conditions created by change in regulation or support itself: such measures are probably essential to an industry which operates on such small profit margins if the government's objective is to avoid dramatic business failures and other contractions of the market.

Another implication of this research is that selecting probable "winners" and then targeting support to them is highly resource-intensive, likely to create bad feeling within any industry, and, most importantly, is prone to fail, particularly when market conditions are changing rapidly.

1. Australia

Australians purchase an average of 13.6 magazines annually for each person over the age of 14. Distribution is primarily through newsstands or other retail outlets. Only 10% of magazine

circulation in the country is by subscription. Consumer magazine publishing is highly concentrated: most of the circulation is attributable to titles owned by the Packer and News groups or those licensed from international publishing groups such as Hearst, Hachette, Advance and Time Warner. Australia's newsstands carry a proportion of foreign magazines that is comparable to the Canadian situation; sales of imports have been estimated to be between 50% and 60% of the total market.

Australia's magazine publishers receive no specific government subsidies, tax exemptions or other forms of targeted support. They do benefit from reduced rates for distribution by mail. Magazines and periodicals that are registered with Australia Post qualify for the Print Post rate. Because Print Post is a "non-reserved" – that is, non-monopoly – service, Australia Post has complete discretion about setting and changing rates for the service. As a result, Australia's magazine trade associations, the Magazine Publishers of Australia Association and the Australian Business and Specialist Publishers, frequently engage in negotiations with the dominant postal supplier to maintain discounts. In the event of a major dispute, the associations and their members can take their case to the Australian Competition and Consumer Commission.

One success story from Australia's magazine industry is *Donna Hay* magazine, which successfully exports around the world including to Canada. This magazine has capitalized on the brand identity of its namesake as an expert on food and its presentation, and has attracted an international audience with high production values and attention to the details needed to make the magazine appeal across the English-language world. Recipes are both local, in the sense of reflecting ingredients that appeal to the home market at specific times of the year, and intelligently presented to the international audience: alternate, North American names for ingredients, imperial as well as metric measurements provided when relevant, and a practice of numbering issues rather than identifying them with a specific season all display careful thought about how to make content appeal both in domestic and international markets.

2. France

France considers the press, broadly defined to include newspapers and magazines, to be a central medium for informing democratic participation and, to a lesser extent, for disseminating French language and culture. This important role is reflected in the attention the French government pays to the health and strength of the periodicals publishing industry and in the range and extent of government support available to some sectors within the industry. French readers buy an average of 47 magazines every year (per person over 14 years). About 40% of French consumer magazines are sold to subscribers, with the remaining 60% sold on newsstands. By contrast, over 94% of the B2B press is circulated to subscribers.

Access to government subsidies depends upon certification by the Commission Paritaire des publications et agences de presse (CPPAP), a joint government-industry body. Foreign magazines may be certified and qualify for support. Once certified, magazines benefit from a super-reduced rate (2.1%) of value-added tax (VAT). This compares to a rate for books of 5.5% and a general VAT rate of 19.6%. The reduced rates do not apply to Internet-delivered publications. All certified periodicals benefit from reduced postal rates and specific government postal subsidies intended to maintain service to sparsely-populated areas. Additional subsidies

are also available for certain types of periodicals and specific objectives. Most of these subsidies are directed at daily newspapers, but magazines have been able to qualify for funds intended to subsidize other forms of distribution and to a small fund to support digitization projects. France also maintains general income and business tax measures intended to support the sector, such as increased deductibility of certain investments and the reduction of the base for the calculation of salary-based taxes related to categories of employees such as journalists.

Despite this relatively complex network of targeted support mechanisms, the health of the periodicals industry remains a major policy preoccupation within the French government. A February 2007 report to the relevant regulatory body, the Direction du développement des médias, details the threat that the Internet poses to various categories of French periodicals and concludes that those most affected are daily newspapers, followed by business and professional magazines, and then by the consumer magazine industry. This accords with findings in Ontario and elsewhere around the world.

One notable best practice emerges from the French model, and that is the lack of discrimination among types of magazines (as opposed to daily and weekly newspapers) for access to subsidies, preferential postal rates and the like, once the CPPAP has certified that their editorial content reaches a given proportion. This simplifies the administration of subsidies and rates for magazines and for La Poste; it also gives magazines more flexibility in terms of choosing how to approach a changing and complex marketplace.

3. United Kingdom

Magazine readership remains fairly high in the UK, at 18 magazines per person over 14 purchased per year. As in Australia, most Britons buy their magazines from the newsstand; only about 14% of consumer magazines are sold by subscription. By contrast, about 90% of B2B magazines in the UK are sent directly to subscribers.

Government support for the periodicals industry in the UK is limited to a single – but highly effective – mechanism. All magazines in the UK, whatever their audience, business model, or ownership, are zero-rated for VAT purposes. This provides obvious advantages in the market, and the even greater benefit of being able to deduct the tax paid on inputs. Magazines in the UK are represented by a single association (the Periodical Publishers Association), which operates separate councils for consumer, business and customer publishing. The PPA counts among its successes having negotiated ongoing reduced postal rates with the Royal Mail, which it attributes in part to the sheer size and scale of the industry it represents and its achievement in having unified the industry's voice.

UK publishers offer several examples of best practices. Although there is no generally accepted model for success in creating digital versions of consumer magazines, *The Economist* stands as a strong example of continuing success in print even though the same content is offered electronically. Subscriptions for this publication are relatively expensive (a one-year subscription in Canada is \$189), yet they continue to grow despite the digital edition available at www.economist.com.

On the B2B side, some British magazines have had notable success on the Internet. Reed Business Information (RBI) head office New York, with global divisions, currently a division of Reed Elsevier based in London, is one example. RBI has gross revenues of \$1.76 billion and gross profit of \$233 million. This publisher emphasizes the following best practices for Internet magazine products:

- Develop and use a template for websites, rather than counting on the editors of individual titles to design the look, feel and content of that title's site. A template can be developed to drive up traffic, page views and, consequently, advertising revenue for the site; it can then be deployed with minimal modification across all the publications that an organization offers.
- Focus staff resources on the Internet business, recognizing that it is often different. This includes advertising sales staff, who often need to be reminded of the value of this channel, as well as dedicated resources for digital product development and information technology management. RBI also has a team geared towards identifying strengths, weaknesses, opportunities and threats relating to its digital businesses.
- Recognize that the digital business, whether it is simply managing an attractive website or branches into new opportunities for brand extension over the Internet, is a different type of business than conventional publishing. Not only does it have different staffing and investment requirements: its return potential is also quite different because of the high degree of fixed cost associated with digital publishing relative to print. Digital publishing with its high fixed costs therefore can be highly profitable with most of the revenue flowing to the bottom line, in contrast to print with its high variable costs, where less than half flows to the bottom line.

The association that represents most magazines in the UK – consumer, business magazines and other media and customer – also suggests some best practices. For instance, the Periodical Publishers Association initiated systematic management training and professional development for publishing executives several years ago. Although there was some initial resistance to the idea, this is now among the Association's most highly valued offerings.⁶⁰ Moreover, the PPA claims to have achieved operational synergies and increased the effectiveness of its representation by broadening the range of publications that it represents.

4. United States

Although the US magazine industry differs greatly from Canada's in terms of scale, other aspects of magazine culture are quite comparable. As in Canada, the great majority of consumer magazines in the US are sold by subscription and delivered by mail. Because of the size of the domestic market, there is no concern in the US about the proportion of foreign magazines available to American consumers and businesses: Imports remain less than 1% of total sales. Even exports, which make up such a high proportion of all categories of magazines read in Canada, are still less than 3% of total American magazine sales.

⁶⁰ More on the PPA training model can be found at <http://www.ppa.co.uk/cgi-bin/wms.pl/413>

There is no funding program designed to provide grants or direct subsidies to the magazine industry in the US. The federal government imposes no tax on periodicals, but about half of the states do levy a state tax on this category of goods. Magazine publishers do benefit from discounted rates for postal delivery of periodicals. Although publishers deny these rates are subsidized by the government, and there is evidence that the United States Postal Service (USPS) recovers at least its marginal costs of providing this service through the rates it charges publishers, American postal rates remain significantly lower than Canadian ones for the delivery of magazines.

One significant difference between the Canadian and American regulatory situation is that in the US, rate-setting for the USPS is relatively more transparent. Magazine publishers' associations regularly appear before the Postal Rate Commission to oppose rate increases sought by the USPS. The associations are also involved in lobbying Congress for legislation that directly affects what the USPS is permitted to do in respect of postal rates for periodicals. As in the UK, France and Australia, discounted postal rates are available to all periodicals, irrespective of business model or audience, although the USPS has strict criteria determining the types of publications eligible for periodicals rates.

In this relatively open environment, best practices have also been developed by the industry without policy input from any level of government. Further, publishers agree there is no one right answer to dealing with digitization and the Internet.

Among consumer magazines, *Forbes* was often cited as an example of best practice in both print and digital editions. The publisher of this general-audience business magazine notes that the digital product is far outperforming the print edition, and attributes the success of Forbes.com to a concerted effort to adapt the brand in a way that is appropriate for the online medium. While remaining true to the strong qualities with which the print magazine is associated, such as trustworthiness and high quality of reporting, the online product emphasizes qualities that are especially important for the Internet such as immediacy, interactivity and the creation of a community of readers. The digital edition also lends itself to partnership arrangements with advertisers and other institutions such as business schools in the US, who benefit from exposure and links from the Forbes website. The Internet also enables the publisher to reach many, many more readers than the print edition, which allows the company to profit from lower-cost advertising.

Forbes.com's publisher also emphasizes that the Internet product requires a very different skill-set than the print version of the magazine. For one thing, the deadline for production of online content is continuous, 24 hours a day, 7 days a week. Forbes.com posts about 4,000 new stories daily. For another, the nature of the product must be different. The immediacy of the Internet calls for an editorial focus on breaking news and providing timely information. This requires a magazine website to create a large pool of content providers on whom they can call.

The experience of US-based publishers also suggests best practices for Canadian B2B publishers. Several B2B publishers echo the observation of their trade association, American Business Media, that it is in face-to-face events that they can achieve the highest revenue growth. These events are not confined to trade shows, although this is a growing part of the market. Live

conferences, which offer more focused opportunities to raise a publisher's profile with key players in a given vertical business market, are growing even faster.

American B2B publishers who are succeeding on the Internet echo the advice of their British and consumer-magazine counterparts: separate skills, and therefore separate staff, are needed to make digital editions work. Some have made effective use of website templates, and emphasize that this enables traffic to be measured and compared across titles within a publisher's portfolio. Such measurement is crucial to advertising-supported businesses such as North American magazines. Partnership opportunities are important in the B2B segment as well as for consumer magazines on the Internet. Identifying desirable and practical partnership arrangements comes out of maintaining editorial focus on what magazines do well now in print: meet the needs of the communities of interest that they serve. This means thinking about content, as well as about attracting advertising.

Another B2B publisher, McGraw-Hill's Business Information Group has a somewhat different model and claims that advertising revenues are just a smaller part of the business model. The whole B2B process is about connecting buyers to sellers through the various stages of the business and sale transaction process. The company focuses in each vertical on providing relevant information, such as product information, sales leads, information about people, business capabilities, audience development information, pricing information, building partnerships, as well as capability and work flow tools. By work flow tools, are included information about how to find customers, determining their needs, the best way to connect and communicate with them or target them. The company sees its roles as supplying each vertical with the necessary tools to help it function more effectively. If the value is there, people will pay. Advertising is viewed as a less important aspect.

In summary, American B2B publishers are farthest along in terms of developing and investing in digital properties. While many would not share their financial information, the evidence suggests that they are profitable and growing.