



GRAPHIC EXCHANGE

Fire

BUILDING INTERACTIVE RICH MEDIA WEB SITES

CANADIAN MAGAZINES: AN INDUSTRY IN DECLINE

10 WAYS TO KEEP YOUR MAC AND PC SYSTEMS RUNNING CLEAN

When

IS THERE A MANUFACTURING MODEL FOR COMMERCIAL PRINTING?

PHOTOSHOP TECHNIQUES: TYPE AND BACKGROUND EFFECTS

ADOBE INPRODUCTION 1.0 • MACROMEDIA FREEHAND 9

HOW TO NOT MAKE MONEY — A PRINTER'S TALE

Ready

MAR/APR 2000 \$7.95

0 2



CANADIAN MAGAZINES

an industry in decline

by Dan Brill

In June, Sheila Copps and the Heritage Ministry will announce guidelines for the disbursement of the new Canadian Magazines Fund, a three year \$150 million federal program intended to support Canadian owned and controlled magazines and periodicals with a minimum of 80% Canadian editorial content.

The fund was announced after the U.S. government took Ottawa to task over its discrimination against large American magazines (*Sports Illustrated*, *Time*, etc.) which were producing split run editions for the Canadian market. For a major American publisher this small additional print run provides the opportunity to sell space to regional (i.e. Canadian) advertisers utilizing the same content but incurring only marginal additional costs.

The Americans felt that Canadian policy was in violation of the North American Free Trade Agreement and took their case before the World Trade Organization, an international body which rules on trade disputes. In 1997, the WTO ruled in favour of the U.S. This triggered a renewed determination by Ottawa to find other ways to protect the livelihoods of Canadian magazine publishers from split run publishing.

But is it split run publishing alone that our magazine industry should fear?

how do we compare globally?

Although subscriptions, single copy sales and miscellaneous income from list rentals and other sources can bolster a magazine's bottom line, these are not the core publishing revenues. All commercial magazines depend primarily on advertising sales.

Let's review a few selected facts and figures on global magazine advertising expenditures (all expressed in Canadian dollars):

- On the 1998 *Advertising Age* list of top revenue-producing magazines in North America, the entire Canadian magazine industry would have ranked fifth, with a gross income of approximately \$1 billion, significantly behind *TV Guide* (\$1.7 billion), *People* (\$1.6 billion), *Sports Illustrated* (\$1.3 billion) and *Time* (\$1.2 billion).

The vulnerability of the tiny Canadian magazine industry to U.S. publications can be quickly guesstimated. Imagine a



scenario in which the ten largest U.S. periodicals (with revenues of almost \$12 billion) think they might be able to increase their gross revenue by four per cent (for argument's sake) by tapping into a potentially receptive regional market like Canada. The Canadian magazine industry would suddenly find itself competing for \$480 million in sales, or about half its revenues.

- For every dollar per capita spent by advertisers in Canadian magazines in 1998, advertisers in the United Kingdom spent \$5.23, German advertisers spent \$3.93, and Americans \$3.66.

As weak as this comparison appears, it gets worse. Our national rate of ad expenditures camouflages the fact that Canada's French-speaking market maintains a strong, self-sustaining magazine industry, without which these figures would be even weaker.

- On the 1998 list of the top ten advertising markets in the world, Canada ranks ninth (total magazine advertising revenue \$650 million, \$21.30 per capita), well behind Italy (\$1,566 million, \$24.08), Brazil (\$1,056 million, \$6.50) and Australia (\$924 million, \$44.30), and ahead of South Korea (\$294 million, \$7.76).

Comparisons with Australia, a country of comparable size, population, language and gross national product per capita, highlight the relative indigence of Canadian magazine publishers. The Australian market enjoys advertising income per capita that is more than double that of Canada.

- As a percentage of the total advertising pie (including televi-

sion, radio, newspapers, etc.), Canadian magazines receive about 7% of all advertising dollars; this contrasts sharply with countries such as the United Kingdom (23%), Germany (24%), France (23%) and even the U.S. (13%).

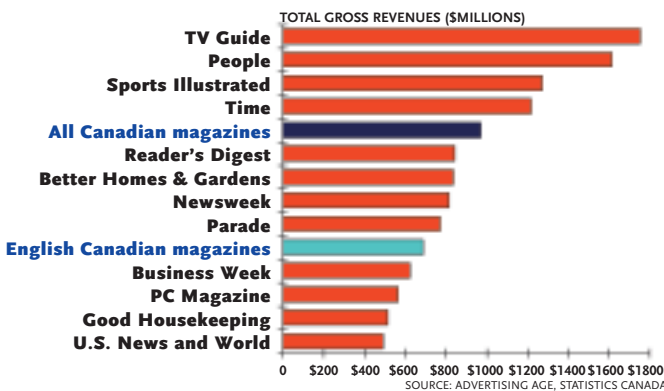
The discrepancy between advertising dollars per capita spent in the United States and Canada is often justified by the American media's penetration into the Canadian market. But moreover, American magazines' share of all available advertising dollars is almost twice as much as their northerly counterparts.

- In 1997, General Motors spent \$665 million in advertising in American magazines alone, a figure which exceeded the total dollars spent by all advertisers in all Canadian magazines (and GM actually chopped its magazine ad budget by 20% from the year before). The company's total Canadian advertising budget of \$140 million for all media (more than twice as much as the federal government) also took top position.

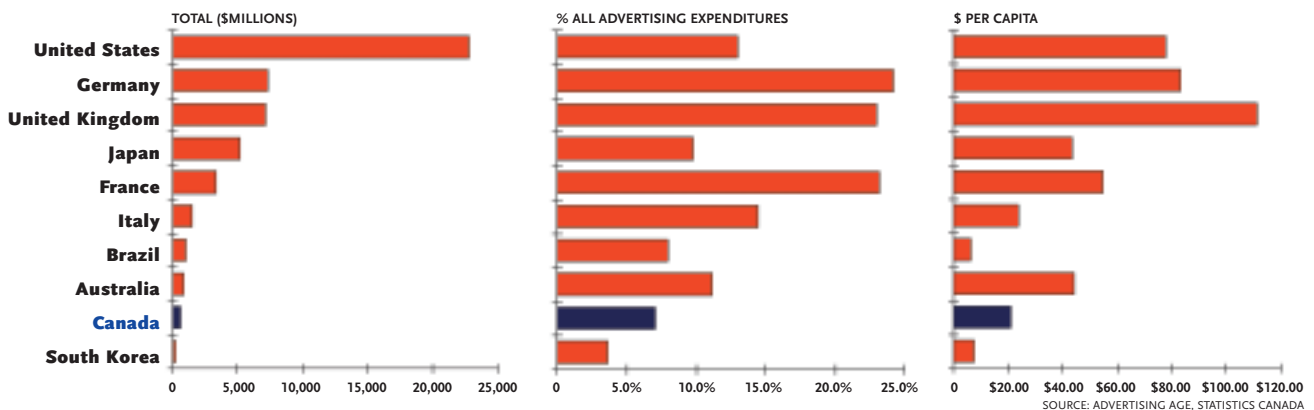
This opens yet another dimension to the tenuous position of Canadian magazines. Paltry Canadian advertising revenues are subject to the whims and efficacies of American advertisers (and their Canadian branches), who buy a substantial percentage of Canadian magazine ads. Three of Canada's seven biggest advertisers overall are American corporations: General Motors, Procter & Gamble and Sears Roebuck.



Comparison of annual magazine revenues



Comparison of annual magazine advertising expenditures by country



Many U.S. advertisers already believe that “spillover” from advertising in American publications adequately reaches the Canadian market (a problem from which newspapers and other media do not suffer). If more U.S. advertisers perceive their own magazines as delivering sufficient penetration into Canada, how will Canadian publishers prevent their ad revenues from evaporating?

- In March/2000, U.S. magazines sold over \$2 billion in advertising, an increase of 12.2% over last year; in February, sales were about \$1.8 billion, up over 15%.

At this rate, U.S. magazine ad revenue this year will be more than thirty times our total. Double digit growth and a buoyant economy might even spur some American publishers to examine expansion into their only neighbouring English-speaking market.

the canadian magazine industry

Let’s look at a few statistics on the Canadian magazine and periodical publishing industry:

- For every dollar that advertisers spend on newspaper advertising in Canada, they spend only 18 cents on magazines.

Newspapers are the single largest advertising medium in this country — even larger than television (although not by much). Advertisers demonstrate confidence in the effectiveness of print advertising daily, which makes magazine publishers’ minimal share of advertising dollars even more perplexing.

- a 1995 StatsCan study showed that 86% of Canada’s roughly 1200 publishers produced one title only; 34% of 1500 magazines were published by companies producing multiple titles.

The spirit of publishing in this country has been carried

more often than not by individuals who simply do it because they love what they do — putting out a magazine.

However the Canadian publishing scene is overwhelmingly dominated by three large players: Rogers Publishing (part of the \$538 million per annum Rogers Media conglomerate), Transcontinental Publishing (freshly engorged by its recent purchase of Telemedia Publishing and now in control of well over \$200 million in magazine revenues), and the magazine division of Quebecor Communications (dominant in the Quebec consumer market). Together these three control more than half of all magazine revenues.

- In the same 1995 report, 54% of the people working in the industry were part-time or volunteers.

Those individuals who take the plunge into the publishing field are supported by a large body of equally dedicated people who are willing to work for little or nothing.

- A 1997 StatsCan survey of publications showed that 60% of all Canadian magazines were either special interest consumer books or business and trade publications, and that over 75% of their total revenues came from advertising.

A Canadian perspective is highly important to readers of publications which provide information and insights on vertical markets, whether they are business or consumer related. These publications also tend to be the most dependent on advertising revenues for survival, and most vulnerable to foreign competition.

- In 1997, over two thirds of single copy sales of Canadian magazines and approximately one third of all magazine operating profits were generated by French and bilingual titles.

The French magazine market is relatively insulated from U.S. infiltration by its language barrier. The same cannot be said for English Canadian magazines.

- Although Canadian magazines make up only 20% of all titles available on news stands, they generate 50% of all sales.

Despite a more limited selection, Canadians like their home-grown magazines. Nonetheless, declining news stand sales has been a trend for the last decade, and any Canadian magazine which is dependent on news stand sales for its existence does not face a very promising future.

role of the small publisher

Small magazine publishers are a special breed. They endure long hours and low levels of reimbursement just for the satisfaction of seeing their thoughts and ideas take shape in print.

There are no college courses on being a magazine publisher, no unions or apprenticeship programs, few if any books or articles. It happens through chance, through osmosis, through personal impetus. It’s also a business that attracts a higher than average number of women, many of whom seem to relish the artistic and literary flavour of publishing, despite its drawbacks.

Canadian magazines with circulations of 20,000 or less make up three quarters of the industry (over 40% are under 5,000), collect 26% of all revenues, depend on advertising for 72% of their income, and earn average net profits of 10%.

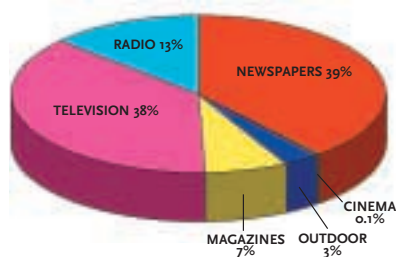
Canadian magazine titles and total circulation have been in steady decline since 1992. The Heritage Ministry says that “specific funding will be provided to meet the needs of small- and medium-sized publishers”. This is vital if Canadians wish to continue to have a choice of domestic niche magazines.

broad strokes and fine strokes

Not long after the announcement of the Canadian Magazines Fund, I had the pleasure of a lunch meeting with Tara Rajan, Heritage Ministry manager of periodical publishing policy.

Part of Ms. Rajan’s responsibility is to seek out the thoughts of members of the Canadian magazine industry in order to establish

Estimated breakdown of Canadian advertising by medium



QuarkXPress — Publishing Application of the Year MAC FORMAT LONDON,
DECEMBER 1999 ▶ avenue.quark — Gold Winner PREPRESS AND PUBLISHING AWARDS,
LONDON, DECEMBER 1999 ▶ avenue.quark — Hot Pick SEYBOLD SEMINARS, SAN FRANCISCO,
AUGUST 1999 ▶ eStage — Hot Pick SEYBOLD SEMINARS, BOSTON, FEBRUARY 2000



INDEPENDENT PUBLISHING

FOR YEARS, graphic artists have relied on QuarkXPress™ software and its powerful design tools to present clear, easily accessible information.

Today, the goal in publishing is to deliver communications anywhere, in real time. To do this, you need media independence: digital content that isn't limited by its file format.

Quark's new products provide flexible solutions that give you the ability to publish to multiple media as easily as one.

Explore the advantages of Quark™ media-independent publishing solutions — from print to asset management, XML, HTML, PDF, template-driven Web publishing, and more — at www.quark.com

QuarkXPress™

Quark Digital Media System™

avenue.quark™

eStage™



The Art of Communication™

realistic parameters for the Fund. She explained that Ottawa will take a bilateral approach to its \$50 million per year investment. Some funding will be formula-based, meaning money distributed to publishers on the basis of, for instance, circulation or category; the rest will be project-based. It is defining the latter which presents the biggest challenge.

Over the course of our conversation I suggested a few general concepts and some specific project ideas that I feel could be important to the success of the program:

- to work with graphic arts technology vendors and media on special magazine publishing industry projects and events
- to fund hands-on training in the business and technologies of magazine publishing
- to help publishers make group purchases of printing and paper
- to recognize web publishing as an integral part of the magazine business model and incorporate funding as appropriate
- to assist in financing purchases of hardware and software for magazine publishing
- to lower Canada Post rates for controlled circulation titles
- to fund the production of materials for magazine publishing technology education and upgrades
- to provide incentives to the Canadian printing industry for helping small magazine publishers
- to encourage Canadian publishers to pool resources on things such as databases, advertising cross-promotion packages, and editorial and production sharing
- to foster the independent spirit of small Canadian magazine publishers.

In addition, here are a few ideas which might bolster growth and development within the Canadian magazine industry, along with how the government could play a role:

- a Publisher’s Mentor Program — subsidizing the hiring of “publisher’s assistants” for small magazine publishers through an interview and sponsorship process, possibly in combination with nominations from approved educational institutions
- a Canadian Publishing Road Show — providing co-op funding

with graphic arts and publishing technology vendors for a cross-Canada publishing technology show and seminar series

- Publishers’ Workshops — funding professional publishing workshops in cooperation with selected educators in major cities across Canada to provide training in new publishing technologies for both print and the web
- a CMF/Canadian Publishers Committee — creating a representative advisory committee to the Heritage Ministry composed of a selection of Canadian magazine publishers

the prognosis

The Canadian Magazines Fund is a politically noble gesture on the part of the federal government, but it is clear that pumping \$50 million a year into Canadian magazines can do very little to raise the industry to levels comparable with other countries.

The fortunes of English Canadian magazines will continue to be subject to the decision-making of U.S. publications and advertisers. Quebec will continue to support its own stable of French titles, which will continue to be exempt from U.S. competition.

Small Canadian publishers will continue to exist hand to mouth. But some will have enough flair, imagination and persistence to buck the odds and grow, joining noteworthy success stories such as *Shift* and *Cottage Life*. Publishers must know their markets, and produce compelling and visually appealing magazines. Mediocre design and content will no longer be acceptable.

Heritage Canada must have the vision to put a priority on its pledge to support small magazine publishers. It must funnel the limited resources of the Canadian Magazines Fund into projects which will nurture our next generation of publishers and inject a sense of pride and prestige into the business of magazine publishing, still an important reflection of the Canadian identity.

If so, uniquely Canadian magazines may still have a future. If not, we will be left with an industry that is nothing more than a poor clone of the American way, where magazines are simply one group in the “information product” market. **G**

Comparison of Canadian magazines by publication category

