

Magazines Canada White Paper

Plotting a Course across Canada's Business Media Landscape

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Introduction

This working paper came about as a result of a gathering of senior management from many of Canada's leading business media publishers, held in King City, Ontario in February 2013 (see page 16 for information on the Business Media Leadership Summit). One of the outcomes of the wide-ranging discussion was to identify some of the key issues and challenges facing the sector. This paper, then, is not the end of a discussion, but the beginning.

High-level overview of the business and what it does

The Canadian business-to-business (B2B) publishing industry—or business media¹—began in September 1887 with the launch of *Canadian Grocer* by John Bayne Maclean. The premise was a simple one: the publisher would meet the specialized needs of a (relatively) easily identifiable business audience and deliver that audience to a similarly specialized set of advertisers. Like all magazines, then—and now—the publisher was in the business of renting access to readers in an editorial environment they trusted.

Canadian Grocer today continues to meet the changing needs of the country's grocers and the wider food industry. But it is no longer alone. It is one of hundreds of such titles that serve the business needs of millions of readers. They range from single, owner-operated magazines to large and diversified groups, often within broader media organizations. For instance, *Canadian Grocer's* humble beginnings laid the foundation for what became Maclean Hunter Publishing Co. in 1945, Maclean Hunter Limited in 1968 and Rogers Publishing (part of Rogers Communications Inc.) in 1994.

The Canadian business media industry reflects the fundamental health of the country's economy and its various sectors. Just as those sectors have evolved over time—and continue to evolve—with some disappearing (*Civic Administration, Canadian Shipping, Canadian Datasystems*) and others emerging (*ReNew Canada, Advisor's Edge, Precedent*), business media publishers have evolved to find themselves being asked to both anticipate and then meet the business needs of their increasingly sophisticated audiences and their suppliers.

¹ The sector is called by many names, not always accurately: business-to-business; business-to-consumer; B2B; B2C; trade publishing; business publishing. However, since the whole is evolving to encompass more than traditional ink-on-paper publishing, we will throughout this paper refer to it as "business media."

What began—and largely remained so until the late 1990s—as a straightforward print magazine publishing business has changed into a multi-platform, multi-service media business with lines blurring between internal functions and the roles/services of external business partners.

Technical and audience impacts

The fragmentation of media that has been so widely discussed, debated and speculated on in the consumer space has had an even more profound impact on business media. While consumer media has had a significant proportion of its revenue (30–40%) flowing from circulation (subscription, single copy sales), business media rely primarily on advertising. The fortunes of business media have risen or fallen depending on the availability of a ready reading audience, on the health of the industry reaching out to that audience and the advertising which that industry places.

In many cases audiences are not as easily defined as they were in the past. Nor are they as static as they have been historically. For many years, audience identification and aggregation were relatively easy. Today, however, reading habits and the growth of readily available sources of information have made audience assembly a fluid and ongoing challenge.

These trending changes were given a huge jump start by the advent of the internet. It has only been part of personal and business lives since 1982, but since the mid-90s its growth and impact have grown exponentially. Business information which was once curated and packaged by a relative few publishers and editors has become available from many sources and thus commoditized.

With these changes have come changes in media buying practices. Where once the buying process for on-page advertising was controlled top-down, as the media landscape has become increasingly fragmented, buying has devolved to increasingly junior planners and buyers, many of whom have little or no experience with business media.

The internet and increasingly inexpensive software has also meant that business media information has been parsed more and more finely, with hyper-specialized, vertical blogs and websites. And while within recent memory information was conveyed primarily by ink on paper—by words and some pictures—video and audio have become the mechanisms of choice for many to convey critical business messages.

Advertisers and marketers have also come to understand the power of the magazine form and have invested their marketing dollars in custom-published magazines, e-letters and websites. These rely on control of customer data and, through it, of the marketing message. In that sense, advertisers have become competitors with the magazines they previously relied upon to deliver such messages.

These external forces have combined to force an evaluation and redefinition of the roles of editorial, sales and circulation in all business media operations. Some media companies have been more successful in adapting to this enforced exercise than others. The pace shows no sign of slackening.

Publishers are wrestling with many questions and issues about resources and their allocation. Equally many are wondering how, or if, they can prevail in such a kinetic environment.

Regional differences

This grim, high-level overview fails to convey the degree to which business media operates on a regional level. Regions tend to reflect their dominant industries: so, for instance, the number of oil industry publications based in Calgary and Edmonton. Countless categories or sectors that are served by national operations have regional counterparts. Not surprisingly, Quebec is home to its own, French-language business media industry. The province's distinct legal system creates further need for region-specific, business information. The financial services market is just one such example. Agriculture, while its regulatory environment is not distinct, is another; the Quebec market takes it very seriously because of the concentration of dairy-based agriculture, with its heavy investment in the defensive shield of marketing boards.

It is difficult to quantify the opportunity for media companies in terms of satisfying the need/desire for Quebec-specific business media. National organizations could enjoy leverage by translating or repurposing some (20–25%) of their content for the Quebec market. Those developing original material will face the same costs as those incurred serving a national audience—or another region. Suffice to say, French-language audiences will gravitate to material with which they can relate—and that means crafting content that is peopled largely with Quebecers.

The ability to identify, capture and deliver audiences on a regional—or community—basis plays to one of the most important fundamentals of successful business publishing. While attracting national advertising to these audiences is a significant and ongoing challenge, regional business media operations represent an often overlooked element of the industry as a whole.

The long recession

On top of the technical changes, the challenges posed have been exacerbated by the severe economic downturn of 2008. Advertising revenues fell sharply overnight. Declines of 40% and more were common. To make matters worse, and different, from publications' experience with previous recessions, the modest and uneven recovery over the last four years has largely evaded the media industry, while staying away from many business sectors entirely. The shrinking and consolidation of manufacturing industries has been lamentable news for the business media which served them.

Success in business media is often likened to community building. Successful business media publishers were their “mayors,” observing the truth of the saying that “good editorial leads to good audience leads to good advertising.”

But the pressures outlined above have left many of the key people in these functions in business media organizations wondering about their roles; the roles of their staff; and their product’s viability. If they are to retain—and in some cases regain—their relevance and authority in the communities they serve, it has become clear that they must redefine what they do and who does it.

Business media is in a unique position to leverage the audience engagement possibilities created by this fragmented media landscape.

The combination of media fragmentation and depressed advertising spending has created unprecedented challenges for business media operations. Just as advertising revenues stalled, once-loyal readers of the traditional print magazines found other sources of specialized information.

Taken together, these forces have left many wondering about the long-term viability of business media. Some sectors (for instance, primary industries such as pulp and paper or vertical niches in manufacturing and engineering) will never regain the appeal they once had. Others, however, are proving nimble and adaptable, with strong future potential. Where, once, ink on paper was the principal medium to serve audiences and advertisers, now the expertise and community-building skills of the business media sector is “platform agnostic.”

“We don’t care how we serve our readers and advertisers so long as we do,” is the latest operating principle in a growing number of business media companies. Fundamental advertiser and reader needs still must be met; specialized information and business materials will continue to be in demand, whatever the medium of delivery. Business media is in a unique position to leverage the audience engagement possibilities created by this fragmented media landscape. After all, being close to the reader remains the defining characteristic of the business—and the hallmark of those who have successfully met the many challenges that have emerged since the late 1990s.

However, in order to maintain, rebuild—or in some cases create—greater reader engagement in the current fragmented media landscape, the roles and functions within business media need to be redefined. And in some cases, new roles have to be added if opportunity is to be exploited.

Changing roles and functions

Historically, business media was served by three publishing functions of relatively equal importance: editorial, sales and circulation.

The editorial department was responsible for anticipating and meeting reader needs; success was measured by reader response (letters, engagement at events) and the best editors were the ones who grew into industry experts—someone the readers genuinely relied on and would be called upon to speak on behalf of the fields they served. This led to a deep understanding of what motivated the reader to make buying decisions. Through specialized, up-to-date information, the editor “helped readers do their jobs” better.

The sales department generated advertising revenue through the sale of advertisements to firms with specialized products and services aimed at the “defined readership.” Just as success in the editorial department depended on deep understanding of the reader’s interests and needs, success in advertising sales depended upon deep and close relationships with clients—relationships characterized by mutual trust.

The circulation department sought out and maintained the lists of the defined audiences or readers. Often downplayed as the least glamorous of the publishing functions, this vital role ensured that the “right people were getting the right information.”

Overseeing these vital functions was the publisher, who knit them together into a whole—and in doing so, promoted the publication’s brand among both readers and advertisers.

A growing list of demands require a new flexibility from editors and a willingness to be involved in marketing, promotion, custom publishing and face-to-face events that may be done under the magazine’s extended brand.

Editorial

Just as the reader’s information needs and ability to meet them have changed, so too has the role of the editor. Historically, writing and editing skills, combined with a willingness to become part of the community served, were the hallmarks of the successful business media editor.

Today, to these attributes must be added conversance in digital technologies; deep understanding of where the reader turns for information and why; and an ability to engage the reader in multiple formats. With this growing list of demands has also come a new need for flexibility and a willingness to be involved in marketing, promotion, custom publishing and face-to-face events that may be done under the magazine’s extended brand.

Central to successfully meeting all of these relatively new demands are heightened time management skills, all the while retaining those traditional strengths of staying close to the reader and blending them with a broad and deep knowledge of social media.

Sales

The sales function too, has been expanded. Traditional titles such as marketing associate or sales consultant do not begin to embrace the role that successful business media operators must now play with their advertisers.

With media fragmentation has come the need for an in-depth understanding of media consumption habits—as well as the ability to articulate that understanding. Maintaining and building reader proximity is no long the editor’s exclusive domain.

With media fragmentation has also come the need to assemble advertising packages and programs that incorporate each of a reader’s touch points with a brand. This demands critical thinking, deep market knowledge, refined pricing skills as well as a thorough understanding of a never-broader competitive ecosystem.

Campaign objectives and creative themes were the exclusive domain of the advertising agency...today, successful business media publishers are actively conceiving and then executing such decisions on behalf of their clients.

Circulation

The circulation department is perhaps the site of the most profound changes in the evolving business media landscape.

Where once this was taken for granted, there is now a whole new level of interest precisely because it serves as the primary interface with the reader. This interest was manifested, for instance, by the use of the term “audience development,” which reflected the fact that audiences can come from anywhere and be served on any platform.

Just as technology has enabled the publisher to get closer to readers, this has created a demand driven by advertisers for more and more information about those readers. A need has emerged for the building of databases consisting of all manner of reader details and demographics. The more robust and current those databases are, the greater the business media publisher’s ability to manage—and ultimately lead—the many forces of change affecting the business as a whole. Thus, the circulation department has ever greater demands put upon it as a vital part of a modern business media company.

Publishing

Clearly, today’s business media publisher requires a wide and flexible set of skills to manage this accelerating change—not the least of which is an ability to stay close to the reader while prioritizing advertiser needs and balancing them with those of the business.

Historically there was a clear delineation between the roles of publishers, advertising agencies, public relations providers and marketing services organizations. Those distinctions have been largely erased, forcing publishers to focus on meeting their advertisers' needs with or without the aid of what in many cases are now former business partners. In the past, the development of campaign objectives and creative themes was the exclusive domain of the advertising agency; so too were decisions around the type of media to be employed and whether a program would include custom publishing.

Today, successful business media publishers are actively conceiving and then executing such decisions on behalf of their clients. When not doing so, they are working more closely with agencies than ever as both parties struggle to build market share for their common clients.

Many are uncomfortable operating in this new landscape with ill-defined and changing roles and expectations. The pace of change, however, doesn't allow much time for reflection. The present is fast and furious and the future looks to be even more demanding.

Ownership & changing economies of scale

Historical

As the Canadian business media industry was growing through the early part of the twentieth century, ownership tended to reside with organizations that had other publishing and/or printing interests. While low capital requirements were and remain one of the primary appeals of any form of publishing, the relative consolidation of capital until post-World War II saw most business media activity in the hands of publicly-traded organizations—notably, Maclean Hunter and Southam. It was also a long-term trend for vertically integrated printing and publishing companies to control business media. The tendency was for these companies to publish and print their own magazines.

As Canada's resources were being developed and the country's infrastructure built, those at the forefront of industrial growth were deriving healthy margins—as were the business media publishers meeting their (with hindsight, relatively simple) information needs.

But the business media value proposition began to change as resource and infrastructure industries began to be replaced by technology and knowledge-based fields. As margins in mining, forestry and manufacturing fell, so too did those of the business media operations serving these evolving fields. Entrepreneurial individuals in the large publishing firms left to serve the fields they knew well—at lower cost and higher margins—creating a pattern that continues to this day.

In the retail sector, the long-term growth in market share of chain stores and the more recent growth of “big box” retailers have combined to materially reduce the number of independent retailers—across all categories. This has effectively diminished the need for independent sources of information for store managers and operators, thus diminishing an entire business media category.

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Similar changes have been seen in the computer/technology category. Once thriving with multiple titles and trade shows, this category has all but disappeared as its products and services have been globalized and commoditized—leaving little if any room for Canadian importers and distributors to add value.

Current

Today, the Canadian business media landscape is dominated by a handful of firms, but served by many. Publicly owned Glacier Media operates 58 titles, including 34 in its Business Information Group and its farm-related publications. Privately-owned Annex Business Media produces 35 titles. Although it sold 15 of its titles to Glacier Media in 2011, Rogers Publishing continues to publish 25 business magazines.

<u>B2B media groups</u>	<u>No of titles</u>
Glacier Media Group	58
Annex Business Media	35
Rogers Media Inc. (Rogers Publishing)	25
BIV Media Group	13
Craig Kelman & Associates	11
TC Transcontinental Media	8
Baum Publications	8
Andrew John Publishing	7
Chronicle Companies	7
MediaEdge Communications	7
Rousseau Communication Automobile	7
White Digital Media	7

Source: CARDonline

Both Annex and Glacier serve a wide variety of industrial, manufacturing and service categories—with relatively little overlap. Where overlap exists, competition is intense.

Average issue circulation ('000)		
		2011
1	Business	5,855
2	Medical	907
3	Education	645
4	Nursing	601
5	Travel	514
6	Building	454
7	Construction	338
8	Automotive	333
9	Petroleum	291
10	Engineering	285

Source: CARDonline

Competition is perhaps even more intense in the healthcare category, where advertising pages fell by more than 50% between 2003 and 2011. Despite this sustained decline, the category is home to more than 50 titles produced by more than 30 publishers and professional associations².

However, pending regulatory changes are expected to lead to still further revenue declines and the now-established pattern of ownership changes and closures that have characterized the Canadian business media landscape over the last 50 years.

Success—both today and in the future—in Canadian business media will be dictated by an organization’s ability to juggle and set priorities while keeping sight of the original and fundamental premise of business publishing: reader proximity and, with that, the building of a community.

Achieving these goals will be further determined by the organization’s ability to marry human and capital resources with reader and advertiser needs and opportunities. Striking that balance will mean the difference between success and failure.

² These numbers do not include dental or veterinarians. A Magazines Canada tally of entries in Canadian Advertising Rates and Data (CARD) suggests there are 119 titles listed from 69 publishers in the broader healthcare category.

The future and requirements for success

Staffing/personnel

Historically the four functions that drove a business media operation—editorial, sales, circulation and publishing—had distinct and discrete skill sets, most of them considered non-transferrable. Today’s successful business media operation requires an intimate operating understanding of and appreciation for the merging of many of these roles—as well as new ones which may be added to the mix.

Regardless of the individual position or role, business media executives need to manage hiring, training and leadership by keeping the following points in mind:

- They will need to staff according to continually evolving roles
- They need to foster a multi-disciplinary work environment
- They shouldn’t plan on a strong economic rebound
- They shouldn’t confuse “doing more with less,” with regaining what was done in the past
- They should realize that the easiest place to keep staff engaged and motivated is in front of the reader and advertiser
- They should not confuse the need to work on multiple platforms with the need to hire additional staff
- They must work deliberately to break down barriers between functions
- They should look at ways to make editorial & circulation a single team
- They must move people away from what they like to do to what needs to be done
- As the business continues to evolve, they must actively seek new ways to motivate and compensate
- They must treat their employees exactly as they want them to treat their customers (a variation on the “golden rule”)
- They must be honest with staff about challenges, needs and prospects
- They must set an example—modelling the behaviours they seek

Business media publishers must model the behaviours they seek and follow the “golden rule” of treating employees exactly as they would like to see employees treat customers.

Revenue diversification

Much has been written about the diminishing contribution of traditional print advertising revenue to business media companies. An equilibrium may be reached, but even passionate advocates of print will acknowledge that print advertising will play a much smaller part in future success.

Coupled with this has been the emergence and growth of many diverse new revenue streams. These include:

- Custom publishing—which can include everything from brochures to private label magazines or websites
- Events—an often-confusing “catch-all” that runs the gamut from six-person roundtables to sixty-person conferences and everything in-between
- Digital—another confusing “catch-all” that embraces all manner of online revenues, including “e-commerce” and online merchandising
- Digital editions—which can be print replicas or distinct properties with all-new and interactive content
- Special Interest Publications (SIPs)
- Mobile
- eBooks and e-letters
- Awards programs
- Video
- Social media programs
- QR codes or equivalent
- Research
- Data collection

Clearly, the challenge lies in selecting the vehicles most appropriate for any given audience and its behaviours—and then conveying that knowledge effectively to the appropriate advertiser.

Conclusion

In addition to applying a rigorous discipline to all aspects of the work, success in business media will be afforded those who understand that the field is no longer marked by cyclical changes, but by ongoing secular change.

The importance of the cyclical and seasonal fluctuations in advertising revenues that marked the business historically will continue to diminish. Those cycles have been replaced by changes in advertiser—and audience—attitudes, coupled with the need to take advantage of a growing number of prospect and client engagement mechanisms.

Similar challenges exist in the consumer media space. But consumer media companies tend to lack the intimate reader and client relationships that characterize successful business media operations. Leveraging these historical advantages requires a new understanding of three R's: revenues, resources and realignment.

Aligning resources with current and future revenues is a never-ending challenge which requires a deep understanding of readers, advertisers and where their behaviours and interests converge.

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Part of this means constantly finding ways to serve each type of audience member. So, for instance, finding fresh insights into the “real value” of each job title in a database and realizing what potential it holds for additional pricing and bundling leverage.

Are Canadian business media publishers up for this challenge? It would seem that they are—especially given the universal acceptance of the need to develop new revenue streams and their success in doing so.

Over the last five years, the business media industry as a whole has adopted an increasingly open minded and creative approach to meeting reader and advertiser needs. Resourcefulness is the new normal and that is bringing with it increasingly smart approaches to traditional challenges and to the many emerging ones. The fundamental lesson?

The more business media publishers can add intellectual value to both readers and advertisers, the more they can build lasting relationships and create genuine value with sustainable revenues and margins in the categories they serve.

That focus will be a path to success in the 21st century, fluid, dynamic world of business media. ☺

About the Business Media Leadership Summit

The Business Media Leadership Summit, held February 20 and 21, 2013, was a gathering of senior executives and decision makers from across Canada’s business media sector. The meeting was a joint undertaking of the Alliance for Audited Media, Equisoft and the Business Media Advisory Group of Magazines Canada, with additional financial support provided by the Ontario Media Development Corporation.

The Summit focused on common issues within and opportunities to grow Canada's business media space, with the ultimate goal to facilitate the development of strong continuing ties and collaborative strategies. The white paper, “Plotting a Course across Canada’s Business Media Landscape” by John Milne and D.B. Scott, is one of the outcomes of the Summit’s discussions and objectives.



About Magazines Canada

Magazines Canada is the national trade association representing Canadian-owned, Canadian-content consumer, cultural, specialty, professional and business media magazines. French and English member titles offer a wide range of topics including business, professional, news, politics, sports, arts and culture, leisure, lifestyle, women and youth, made available on multiple platforms. The association focuses on government affairs, services to the advertising trade, circulation marketing and the development of career skills for and the recognition of excellence among the people who work in Canada's magazine media. Visit magazinescanada.ca.