

Canadians spend \$870 million on magazines; Canadian publishers have 38% share of wallet

By Michael J. Fox

BASED on circulation reports for audited magazines, Canadians spent \$869.6 million in 2007 to buy single copies or subscriptions of U.S. and Canadian magazines. Dollars are up slightly, but copies are up more (see p.2).

Single copy sales total \$517.6 million, representing 59% of total spending. While the dollars are flat with 2003, growth in Canadian magazine single copy sales have replaced purchases of U.S. titles. Compared to 2003, Canadian single copy sales have increased \$11.6 million, but U.S. titles declined \$13 million.

The historical access enjoyed by some U.S. magazines to top positions on Canadian newsstands helps to keep them in front of impulse buyers. U.S. single copy sales are the largest slice of the pie: 45% of all magazine sales.

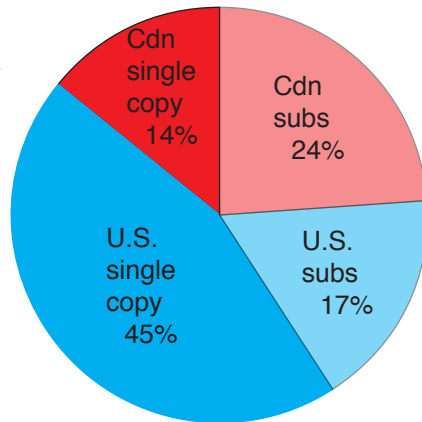
All subscriptions total \$352 million, 41% of purchases. Subscription revenues for U.S. magazines are up significantly, reflecting higher average prices (see p.2).

U.S. magazines in total claim 62% of spending while Canadian magazine sales total 38%, consisting of \$207.8 million in subscriptions and \$125.7 million in single copy sales. The 38% share is a decline from 41% calculated for 2003.

While Canadian single copy sales have increased, subscriptions declined in value by \$24.4 million, in part due to the closure of TV Guide as well as lower selling prices for some high-circulation titles.

Meanwhile, U.S. magazines have aggressively boosted subscription sales in Canada. There are several reasons why American publishers are building up subscriptions in Canada. These include:

- The appreciation of the Canadian dollar from US\$0.71 in 2003 to US\$0.94 in 2007 has increased the value of U.S. exports to Canada.
- Mailing costs for U.S. publishers in Canada still are lower than they were 10 years ago when the World Trade Organization forced Canada to end its higher postage rates for foreign magazines.
- Reduced sources of circulation in the U.S. domestic market motivates U.S. magazines to add circulation in Canada, usually less than 5% of a magazine's total circulation—enough to help meet their U.S. rate base requirements without upsetting advertisers.
- It is easier for major U.S. publishers to process Cana-



Consumer spending on magazines						
\$ millions	2003		2005		2007	
Canadian magazines						
Subscriptions	232.2		204.6		207.8	
Single copies	114.1		131.1		125.7	
	346.3	41%	335.7	39%	333.5	38%
U.S. magazines in Canada						
Subscriptions	97.8		126.6		144.2	
Single copies	404.9		399.0		391.9	
	502.7	59%	525.5	61%	536.1	62%
Total spending	849.0	100%	861.2	100%	869.6	100%

dian payments in Canada since CDS Global bought the Indas fulfillment service in 2002.

In contrast, Canadian publishers have needed to cope with Canada Post increases of 3% to 6% a year, which in turn have forced scaling back of the support levels of the Publications Assistance Program. To offset higher postage costs, large publishers cut marginal subscriptions and redirected spending to newsstand development.

Overall sales trends, of course, are heavily influenced by the starts and stops of individual magazines.

However, there are some interesting differences when comparing the volume of copies as distinct from the revenues. (By way of explanation, a magazine issued monthly with 50,000 subscribers would total 600,000 copies.)

Using number of copies as the metric, the picture is flipped. More than half of all copies are for Canadian subscriptions. This reflects two realities. First, federal culture support has been directed toward subsidizing Canada Post to deliver periodicals. Second, the circumstances of U.S. domination on Canadian newsstands has driven circulation investment to subscriptions.

Total copies of 348.1 million consist of 65% subscriptions and 35% single copies.

Continued on p.2

“Share of wallet” tracks what people buy

To tally spending by consumers on magazines for this “share of wallet” analysis, we use circulation data from the Audit Bureau of Circulations (ABC) and BPA/Canadian Circulations Audit Bureau (CCAB). Most magazines selling advertising are members of one of these audit bureaus. Each magazine submits Publishers Statements twice a year for its latest six-month period.

Disclosure by each magazine includes how many copies were circulated in various ways as well as the average price paid (net of premiums or incentives) for a subscription or a single copy in a store. By multiplying the average price times the volume sold, we calculate how much consumers paid for a magazine.

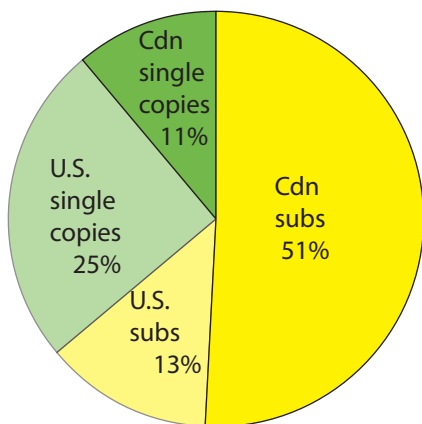
The total for all magazines of \$869.6 million in 2007 is based on reports from 779 magazines—228 in Canada and 551 from the U.S. Only the Canadian portion of U.S. magazines’ circulation is included.

Magazine copies in paid circulation in 2007						
millions	2003		2005		2007	
Single copy sales in Canada						
Canadian	33.2		36.1		36.7	
U.S titles	85.3		90.3		85.8	
	118.6	36%	126.4	38%	112.5	35%
Subscriptions						
Canadian	165.3		160.7		179.0	
U.S titles	42.6		43.6		46.6	
	207.9	64%	204.4	62%	225.6	65%
Total paid copies	326.5	100%	330.7	100%	348.1	100%

All Canadian copies represent 62% of the total while U.S. copies add up to 38%.

Certainly, advertisers using magazines have long since discovered that effective ad campaigns require the use of Canadian magazines to reach most consumers. While the spill of U.S. magazines into Canada might ease rate-base challenges of American circulators, it is of little benefit to U.S. advertisers to reach Canadian consumers.

One business challenge for all publishers is pricing. In Canada, the average cover price of a U.S. magazine has usually been \$1 more than in the U.S. Dual prices were printed on covers (U.S. \$3.95/Cdn \$4.95) until the Canadian dollar reached par with the U.S. dollar in autumn 2007. When consumers said they wanted to pay the lower of the two prices, retailers forced the U.S. magazines to print only one price on Canadian covers, but it is still usually \$1 more than the price on a cover in the U.S.



As shown in the chart below, U.S. single copies sold for \$4.57 on average versus \$3.42 for Canadian titles.

Subscriptions to U.S. magazines in Canada averaged \$3.09 a copy in 2007, reflecting the U.S. high-price subscription magazines that top the list such as People and National Geographic. Meanwhile, Canadian subscribers paid \$1.16 a copy on average, down from \$1.40 in 2003.

Reasons for lower prices include introductory rates for new and relaunched magazines and increased "2 for 1" selling. In the U.S. domestic market, the average for all

Average revenue per copy in 2007	
Cdn subs	\$1.16
Cdn single copies	\$3.42
U.S. subs	\$3.09
U.S. single copies	\$4.57

magazines is estimated to be closer to the \$1 range of the Canadian subscriptions. Many monthlies in the U.S. sell for \$12 a year; many weeklies average about \$0.75 a copy.

The top 25 sellers in Canada total \$383.6 million in sales, which is 44% of the total market. There are 10 Canadian titles (in caps), in the top 25:

Top-selling 25 magazines in Canada in 2007				
	Revenue in \$ millions	Subs	Single copy	Total
1	People	7.2	35.1	42.3
2	READER'S DIGEST CANADA	26.5	2.3	28.7
3	Cosmopolitan	0.5	21.2	21.7
4	Star	1.8	19.9	21.6
5	In Touch Weekly		20.9	21.0
6	National Geographic	18.6	2.0	20.6
7	US Weekly	0.8	18.9	19.8
8	7 JOURS	0.4	19.2	19.5
9	National Enquirer	1.1	15.4	16.5
10	MACLEAN'S	13.7	2.7	16.4
11	Woman's World		14.8	14.8
12	Economist	11.0	3.4	14.4
13	CANADIAN LIVING	8.4	5.5	13.9
14	OK! Weekly	0.0	12.8	12.8
15	MOVIE ENTERTAINMENT	12.3		12.3
16	LA SEMAINE		11.3	11.3
17	Life & Style Weekly		10.9	10.9
18	Globe	0.1	9.7	9.9
19	TIME CANADA	8.0	1.8	9.8
20	CHATELAINE	6.6	2.8	9.4
21	O Oprah	0.9	7.8	8.7
22	In Style	1.0	7.4	8.5
23	Sports Illustrated	6.9	1.1	8.0
24	SELECTION READER'S DIGEST	6.5	0.5	7.1
25	HELLO!	0.2	3.5	3.8

The top 10 publishing companies total \$512 million or 59% of all sales:

Top 10 publishers in Canada in 2007					
	Revenue in \$ millions	Subs	Single copy	Total	Share
1	Time	20.6	53.7	74.4	9%
2	Bauer	0.2	61.8	62.0	7%
3	Transcontinental Media	42.3	18.9	61.2	7%
4	Rogers Publishing	37.5	19.3	56.8	7%
5	American Media	5.6	50.7	56.3	6%
6	Hearst	3.9	49.8	53.7	6%
7	TVA Publications	4.4	45.0	49.4	6%
8	Reader's Digest	39.2	3.0	42.2	5%
9	Conde Nast	9.1	24.4	33.5	4%
10	Wenner	1.8	20.8	22.6	3%

Michael J. Fox is Senior Vice-President, Circulation & Development, of Rogers Publishing in Toronto. Email: michael.fox@rci.rogers.com