

ONTARIO MEDIA DEVELOPMENT CORPORATION

INDUSTRY PROFILE

MAGAZINE PUBLISHING



Ontario

Ontario Media Development
Corporation

Société de développement
de l'industrie des médias
de l'Ontario

www.omdc.on.ca

Introduction

The Canadian magazine publishing sector includes many kinds of publications, such as consumer magazines, business-to-business publications, trade and professional magazines, magazines focusing on cultural production like the visual arts, and academic and scientific publications.

The Ontario industry is extremely diverse, ranging from companies who publish more than 20 titles each in all categories to small companies that publish only one or two niche titles. Ontario publishers produce a high proportion of all Canadian magazines; over 45% of the copies of the top Ontario-produced consumer magazines are sold or delivered outside of the province.¹ No Ontario or Canadian publisher is anywhere near as large as major publishers in the United States or Europe.

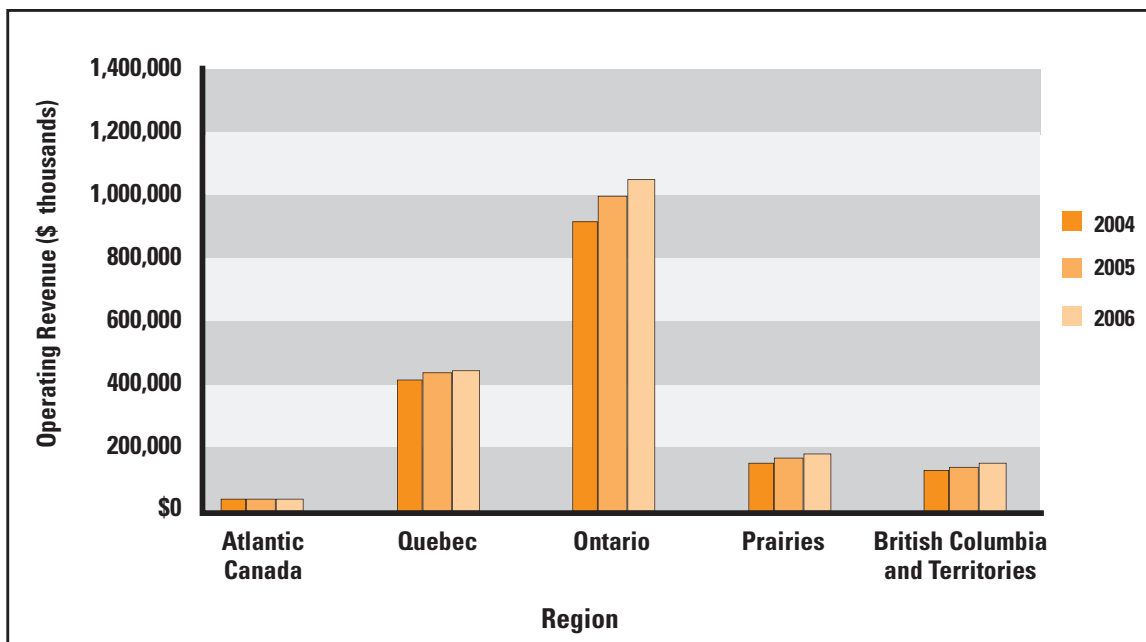
Ontario magazine publishers are recognized for their excellence on a national scale. At the most recent National Magazine awards in June 2008, *Toronto Life* earned four gold and two silver awards and secured top honours as Magazine of the Year. Ontario magazine *The Walrus* took home the highest number of awards that evening, with six gold and four silver awards. Other Ontario-based stand-outs that evening included *Report on Business*, *explore* and *Maclean's*, who each received multiple awards.

INDUSTRY SIZE AND ECONOMIC IMPACT

Industry size and revenue

- In 2003-04, the most recent year for which comprehensive figures are available, there were 2,383 periodicals published in Canada. Almost half of those—1,162 or 48%—were published in the province of Ontario.²
- In 2006, operating revenues for the Canadian periodical publishing sector rose 5.3% over the previous year to \$2.07 billion. Operating expenses nationally rose by 3.2% to \$1.85 billion in the same year, leading to average profit margins for Canadian periodical publishers of 10.9%, up from 9.1% in 2005.³
- Ontario's periodical publishing sector reported more than half of the national operating revenues in 2006, at \$1.17 billion in operating revenues. However, operating expenses were similarly high, so Ontario periodical publishers showed a profit margin of 10.5%, just under the national average.⁴

Canadian Periodical Publishing Revenues by Region, 2004-06



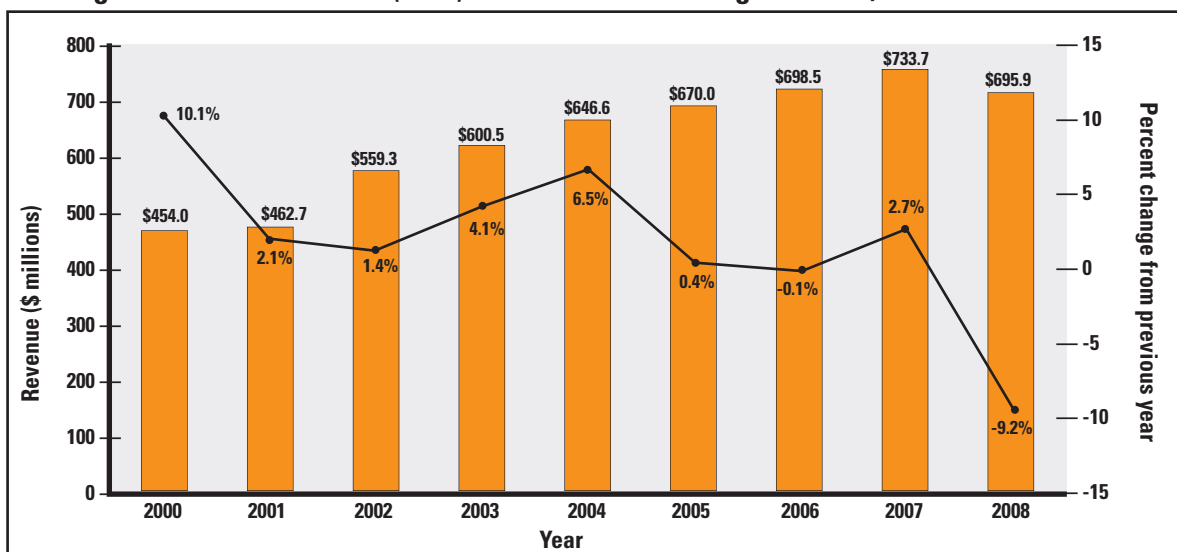
Source: Statistics Canada, "Periodical Publishing, Data Tables," Catalogue no. 87F0005X, Table 1, March 2008.

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- In 2006, the ten largest periodical publishing companies in Canada accounted for over half the industry operating revenues. These companies represented 82% of the overall profits for the sector and 68% of the total revenue growth. They also showed a 15.9% profit margin, while the remaining periodical publishers posted a 4.5% profit margin.⁵
- Canadian consumer magazine ad revenue was an estimated \$695.9 million in 2008, according to reports by Leading National Advertisers in Canada (LNA). This represents a 9.2% decline from the previous year, the worst decline in recent memory.⁶

Leading National Advertisers (LNA) Canadian Advertising Revenue, 2000-08



Source: "Ad pages for leading consumer mags down 9.2% in 2008," *Masthead Online*, January 26, 2009.

Employment

- Between 1997 and 2005, the Canadian periodical publishing industry is reported to have generated an average of 9,011 direct jobs annually within the industry. The equivalent of a further 897 jobs annually for freelance writers can be directly attributed to the periodical industry.⁷ Overall in Ontario, the magazine industry is estimated to have been responsible for an average of 9,389 direct and indirect jobs annually between 1997 and 2005.⁸
- Canadian periodical publishers paid \$512 million in salaries, wages and benefits in 2006. Ontario-based periodical publishers were responsible for more than half that amount, or \$297 million.⁹

Consumer market

- The global magazine publishing market is anticipated to reach US \$82.6 billion in 2008, up 2.9% from the previous year. While still a small portion of the global market, Latin America is currently the largest growth area.¹⁰
- The Canadian magazine publishing market is estimated to reach US \$1.24 billion in 2008. While this represents a 2.4% increase, it is the smallest increase of any region globally.¹¹

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TRENDS AND ISSUES

Growth rate and related trends

- Before the collapse of global markets at the end of 2008, it was anticipated that the Canadian magazine publishing market would grow to US \$1.38 billion by 2012, at a compound annual growth rate of 2.7%.¹² Current economic instability makes it difficult to predict future trends.
- In 2008, the number of magazines published in Canada increased, with 72 launches compared to 29 closures during the year. This is the 11th year in a row for this type of overall increase. Consumer magazines account for nearly all of this increase, as there were nine trade magazine closures and 10 launches during the year. Unfortunately, 2009 figures to date indicate that there have been 22 closures this year, indicating that this year's closures are likely to exceed those of 2008.¹³

Global issues

- Reduced advertising spending due to the worldwide economic slowdown has had a detrimental impact on magazine revenue everywhere. Canadian run-of-press ad pages were down by 9.2% in 2008, with each of Canada's top ten consumer magazines experiencing a loss.¹⁴ This has led to the closure of several Canadian magazines in the past year, including *Wish*, *Time Canada* and *Gardening Life*, as well as layoffs at large Ontario-based publishing companies including Rogers Publishing, Brunico Communications and St. Joseph Media.¹⁵

Domestic issues

- In June 2008, Canada Post announced its intention to implement Distance-Related Pricing (DRP), which increases the cost of mailings based on how far

they are traveling. This will have the most significant impact on costs for magazines with national circulation, but all magazines will see an increase in their rates. This is in addition to a series of annual Canada Post rate increases over the past few years.¹⁶

- The magazine industry in Canada has long noted that they must compete with government publications and that these publications have competitive advantages over private sector magazines. In Ontario, this is most clearly demonstrated by the LCBO's *Food and Drink* magazine, which has virtually no distribution costs (it is given away free in LCBO stores) and is perceived to have a special relationship with the lucrative alcohol advertising community. Magazines Canada is currently involved in lobbying for changes in how government magazines are operated.¹⁷
- Ontario magazine publishers also feel that they bear a disproportionate share of the cost of Ontario's municipal Blue Box waste diversion programs, for which they pay a levy to Stewardship Ontario. While the cost is supposed to be spread across mailing houses and newsstand distributors for all magazines distributed in the province, in reality it is difficult to enforce for non-Canadian companies. As the amount of the levy continues to increase, the problem is exacerbated.¹⁸

Technological development

- Ontario magazine publishers recognize the migration of their readers to the web and are aggressively engaging their audience there. They are integrating their magazines with web activities including comprehensive sites. Many magazines include "throws" to content on their related web sites. This trend is expected to continue, particularly among B2B magazines, where publishers anticipate that their titles will be primarily digital by the time the "born digital"

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generation moves into positions of power in the corporations that the publishers serve.¹⁹ For B2B publishers, printed magazines have become the key material support to these emerging and web communities.

Government assistance²⁰

- In February 2009, the Federal Government announced the creation of the Canada Periodical Fund, which will replace the Canada Magazine Fund and the Publications Assistance Program. The new program will build on the previous programs to maintain support for the magazine industry in a way that provides greater flexibility to publishers. This announcement builds on the Federal Budget 2009

commitment to provide \$30 million over the next two years for Canadian periodicals, maintaining federal funding to the magazine industry at \$75.5 million a year. The new Fund will be in place for the 2010-11 funding year; until that time, the current programs will continue to operate.²¹

- In 2008-09, Ontario magazine publishers had access to public funding through the OMDC Magazine Fund and the Entertainment and Creative Cluster Partnerships Fund.
- At the provincial level, the Ontario Arts Council also provides financial support to magazine publishers.

Profile current as of March 31, 2009.

(ENDNOTES)

¹ TCI Management Consultants, *A Strategic Study of the Magazine Industry in Ontario*, September 2008, p. 3.

² Statistics Canada, "Periodical Publishing, Data Tables, 2003/2004," Catalogue no. 87F0005XIE, Table 3, June 2005.

³ Statistics Canada, *The Daily: Periodical Publishing, 2006*, March 19, 2008.

⁴ *ibid.*

⁵ *ibid.*

⁶ "Ad pages for leading consumer mags down 9.2% in 2008," *Masthead Online*, January 26, 2009.

⁷ Informetrica Limited et. al., *Economic Contribution of the Canadian Magazine Industry*, December 2006, p. 4.

⁸ *ibid.*, p. 21.

⁹ Statistics Canada, *The Daily: Periodical Publishing 2006*.

¹⁰ PricewaterhouseCoopers (PwC), *Global Entertainment and Media Outlook 2008-2012*, p. 45.

¹¹ *ibid.*

¹² *ibid.*, p. 485.

¹³ "Tally 2008: Launches once again outnumber closures," *Masthead Online*, March 18, 2009.

¹⁴ "Ad pages for leading consumer mags down 9.2% in 2008," *Masthead Online*, 26 January 2009.

¹⁵ "Three people let go by Brunico Communications," *Masthead Online*, December 10, 2008; "Five Maclean's staffers among those laid off by Rogers," *Masthead Online*, December 2, 2008; "Sixth staffer laid off by Maclean's," *Masthead Online*, December 9, 2008; "Publisher suspending Wish and Gardening Life magazines; 20 jobs affected," *cbc.ca*, November 14, 2008.

¹⁶ "Canada Post announces rate hikes for 2009," *Masthead Online*, June 27, 2008.

¹⁷ Magazines Canada, "Magazines Canada's Policy on Government Competition 2007," www.magazinescanada.ca.

¹⁸ TCI Management Consultants, p. 13.

¹⁹ *ibid.*, p. 16.

²⁰ The information included in this section is an overview of some of the government assistance to the magazine sector. This is not intended to be a comprehensive list of government assistance available.

²¹ Press Release, "The Government of Canada Creates Canada Periodical Fund to Better Support Magazines and Community Newspapers," Department of Canadian Heritage, February 17, 2009.