

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 sector includes consumer magazines and business-to-business (B2B) publications. Magazine publishers are highly diverse in their scale and output; they range from the largest companies that release more than 20 titles in a range of categories, to producers of only one or two niche titles.¹

Ontario's periodical publishing industry is the largest in the country, with \$1.2 billion in operating revenue in 2010—more than twice the revenue of any other province.² Ontario is responsible for a high proportion of all Canadian magazines; over 45% of copies of the top Ontario-produced printed consumer magazines are sold or delivered outside of the province.³ In addition to print, Ontario's magazine publishers increasingly engage their audience online, embracing opportunities for distribution on the web, over social networks and via mobile devices.⁴

Ontario magazines are routinely recognized nationally and internationally for excellence:

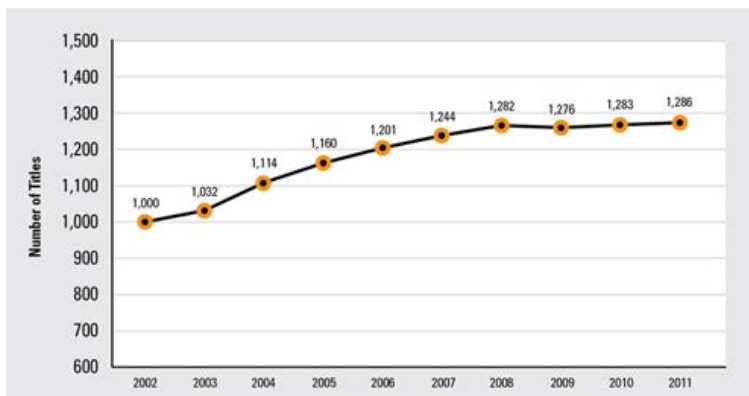
- At the 35th National Magazine Awards held in June 2012, many Ontario magazine titles won awards, including *Design Lines*, *Canadian Art*, *Canadian House and Home*, *Cottage Life*, *This Magazine* and *Toronto Life* among others. *The Walrus* picked up six Gold awards at the event, including Best Digital Design. Ontario magazines lead National Magazine Award nominations—Ontario publications *The Walrus*, *Report on Business*, *Toronto Life* and *Maclean's* collectively garnered over 100 nominations.
- On the B2B side, at the 58th annual Kenneth R. Wilson Awards, Ontario's *Marketing* was nominated for Magazine of the Year, and picked up several awards including Best Issue, Best Cover and Best Feature Article.
- The environmental non-profit Canopy recognized *Cottage Life* and *Quill & Quire* for their efforts to implement more eco-friendly paper-purchasing policies at its inaugural Ancient Forest Friendly Awards in November 2011.

Industry Size and Economic Impact

Revenues and related figures

- In 2009, 1,128 Canadian consumer and B2B magazine publishers produced 2,064 titles and sold or distributed 638 million copies.⁵ The number of consumer magazine titles in Canada has increased over the last decade. In 2000, there were 941 consumer magazines published and by 2009 that number had grown to 1,276, a 36% increase. Canada also has one of the highest numbers of consumer magazine titles per capita, more than France, the U.K. or the U.S.⁶ In 2010, there were 740 B2B magazine titles across Canada, representing 27% of all magazine titles in the country. A recent study which surveyed business decision-makers found that B2B publications were ranked second among highly-valued sources of information, just behind the Internet.⁷

Number of Canadian Consumer Magazines 2002-2011



Source: Magazines Canada, *Consumer Magazine Factbook 2012*.

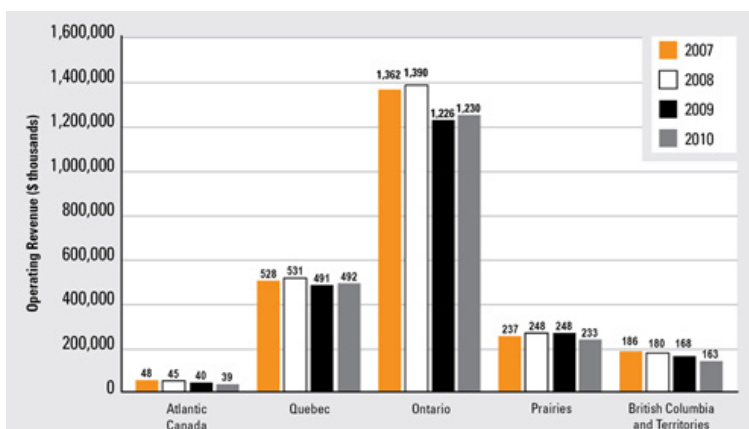
- In 2010, operating revenues for the Canadian periodical publishing sector remained steady over the previous year, falling only marginally by 1.2% to \$2.16 billion. This was in contrast to a year-over-year revenue decrease of 9.2% which occurred between 2008 and 2009. Also in 2010, operating expenses declined 4.2% from the previous year to just under \$2.0 billion. As a result of the sector's overall reduction in expenses, operating profit improved over this period, from 5.7% in 2009 to 8.5% in 2010, but remained below 2008 national operating profit figures of 12.3%.⁸

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- Ontario's periodical publishing sector reported more than half of national operating revenues in 2010 for a total of \$1.23 billion, on par with 2009 figures. Operating expenses declined marginally from \$1.23 billion in 2009 to \$1.18 billion in 2010. Ontario periodical publishers showed a profit margin of 3.8%, which is below the national average of 8.5%, but improved from 2009's margin of 0.7%.⁹ In 2009, Ontario periodical publishers reported \$673 million in advertising revenue and \$280 million in circulation revenue.¹⁰

Canadian Periodical Publishing Revenues by Region, 2007-10



Source: Statistics Canada, "Periodical Publishing 2009" and "Periodical Publishing 2010," Table 1.

- In 2009, Canadian periodical publishers reported that sales of advertising space accounted for 64% of total revenues, while circulation sales made up 22.7% of total revenues.¹¹
- PricewaterhouseCoopers (PwC) forecasts modest growth for the total Canadian consumer magazine market, including both advertising and circulation, from US \$1.1 billion in 2011 to US \$1.3 billion by 2015. As economic conditions improve and online advertising gains ground, advertising is expected to grow steadily, at a compound annual rate of 5.3%. Circulation spending, which has declined every year since 2006, should begin to rebound by 2013, due primarily to growth in volume of digital subscriptions.¹²
- B2B and trade magazines are particularly vulnerable to pressures in challenging economic times as declining employment erodes their typical customer base and companies cut back on paid copies. As the economy begins to recover, and as both advertisers and consumers migrate online, PwC projects moderate growth in the Canadian trade magazine market, from US \$268 million in 2010 to US \$375 million by 2015.¹³

Employment and wages

- A study of the magazine industry published in 2006 demonstrated that, between 1997 and 2005, the Canadian periodical publishing industry 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.¹⁴ 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 2005.¹⁵
- Canadian periodical publishers paid \$624 million in salaries, wages and benefits in 2010, down \$10 million from 2009. Ontario-based periodical publishers were responsible for almost two-thirds of that amount, or \$394 million.¹⁶

Consumer market

- According to a study of Statistics Canada data released by Hill Strategies Research Inc., in 2010, 23 million Canadians 15 years or older read magazines in their leisure time. Of these, 46% read magazines at least once a week, while another 27% read them once a month or more. The proportion of Canadians who read magazines at any frequency (once a year or more) has fluctuated slightly over the last two decades, going from 81% in 1992, down to 77% in 1998 and 78% in 2005, and back up to 82% in 2010.¹⁷ Similarly, Print Measurement Bureau (PMB) figures published in 2012 indicate that 83% of Canadians aged 12 and over had read magazines in the 3 months prior to the survey.¹⁸
- According to new data from PMB, despite competition from the growth in new digital media offerings, print magazines, on average, continue to attract approximately 1 million readers per title. PMB's 2012 Fall Report finds that Canadians aged 12-34 read just as many magazines as others. Even mobile device owners continue to read print magazines; over three-quarters of them have read magazines in the past month, higher than the Canadian average.¹⁹
- Magazine readers are increasingly accessing content via multiple devices, including laptops, smartphones and tablets. Nine percent of magazine readers in Canada reported the purchase of a digital magazine in the past year, and 14% plan to purchase one in the coming year. Among surveyed Canadians who reported owning a tablet, reading magazines (as well as newspapers or e-books) is the most preferred activity, with 38% of users reporting reading these publications on a tablet. Tablet users are also more likely to purchase digital magazines than e-books, digital newspapers or TV episodes on their devices.²⁰
- In 2009, approximately three-quarters of Canada's consumer magazine titles were in English, while about a quarter were in French.²¹ Ontario has a handful of French-language magazines, which are characterized by low print runs and very targeted readership. They include: *Liaison*, *Virages* and *Revue du Nouvel-Ontario*.
- While there are over 200 Canadian publications (including newspapers) in languages other than English or French, less than a quarter of these are consumer or B2B magazines. Over half of magazines in other languages are bilingual or even trilingual titles (English and/or French, plus another language).²²
- The number of print magazine subscriptions in Canada is falling, while at the same time consumption of digital magazine media is growing. However, growth in the consumption of digital magazine media is not yet making up for the decline in print subscription sales. Data from the Audit Bureau of Circulations released in 2012 shows that paid and verified print magazine subscriptions in Canada fell 3.1% to 6.6 million copies, while sales of single copies also fell 1.6%, to 1.2 million. However, some digital titles have seen a jump in online subscriptions—*Maclean's* reports that 2% of their subscription base (or 8,300 subscribers) subscribe to the magazine's digital edition, while *Canadian House and Home* reports just over 3% of their base, or 7,918 digital subscribers. Periodical Marketers of Canada report that 9% of Canadian magazine readers reported purchasing an electronic edition of a magazine with 14% planning to do so in the next year, illustrating an encouraging trend for the industry.²³

Trends and Issues

Growth rate and industry trends

- Between 2011 and 2015, the ad market for Canadian consumer magazines is forecast to grow at a compound annual rate of 5.3%, posting better performance than the Canadian average of 5.2% for all media types and outperforming Europe, the Middle East, Africa and the Asia/Pacific regions.²⁴ PwC projects that Canadian consumer magazine ad revenues will increase from US \$651 million to US \$807 million between 2011 and 2015, as the digital advertising market grows in volume, and the economy rebounds.²⁵
- Print magazine launches in Canada grew by 25% in 2011 from the prior year. This represents a bounce back from 2008-09, when the industry experienced fewer magazine launches as well as more closures, due in part to the global recession. Eleven consumer magazines launched in 2011, the highest number since 2008, in categories including City/Regional General Interest, Travel, Leisure, Sport and Recreation and Women's.²⁶
- Canadian B2B advertising revenue, both print and digital, is projected to regain and surpass pre-recession revenue performance at a rate of 7.9% compound annual growth, exceeding that of other developed nations globally, with only the emerging Latin American economies expected to grow faster. PwC estimates that the national B2B magazine ad market, worth US \$199 million in 2010, will rise to US \$291 million by 2015.²⁷ The national circulation market for trade magazines is expected to grow at a compound annual rate of 4%, from US \$69 million in 2011 to US \$84 million by 2015.²⁸
- Reduced advertising spending due to the worldwide economic slowdown had a detrimental impact on magazine revenue globally in 2008 and 2009.²⁹ Since then, however, ad spending has been recovering, with leading U.S. advertisers spending 8.8% more in 2010 as compared to 2009.³⁰ *Magazines Canada*, using data from *FIPP World Magazine Trends*, reports that Canada is experiencing magazine advertising growth once again, outpacing the 12 leading countries around the world. Projections to 2015 from PwC suggest that the Canadian consumer magazine industry is well-positioned to remain a global advertising growth leader, with an average advertising revenue growth rate of 5.3% projected to 2015.³¹

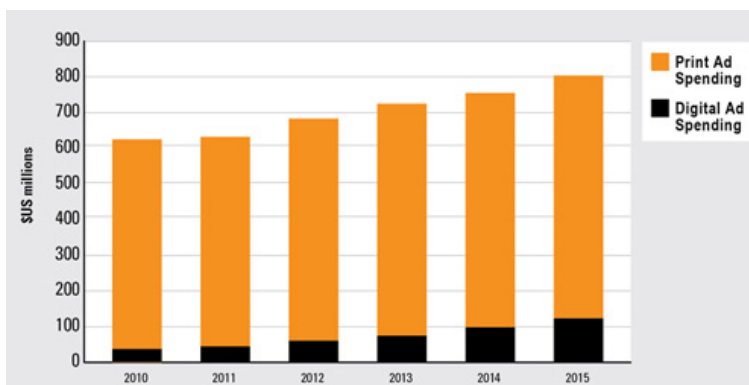
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- In Canada, digital advertising in online consumer magazines rose 43.5% between 2009 and 2010 to reach US \$33 million in 2010. It is projected to reach US \$123 million by 2015, with the digital share of all Canadian consumer magazine advertising growing from 5.3% in 2010 to 15.2% in 2015.³²

- The shift to a transmedia (content across a range of devices and platforms) environment offers opportunities as well as challenges for cultural media content producers. Publishers of magazine media are taking advantage of consumers' appetite for transmedia content, extending their brands into the digital arena to reach new audiences, like Ontario magazine *The Walrus*, which recently launched a line of print books in partnership with Ontario book publisher *Coach House Press*. Content producers working in other arenas also see the value in developing online digital magazine offerings, posing a challenge to traditional magazine publishers. U.S. publisher *Random House's* Canadian office launched their online magazine *Hazlitt* in 2012 as part of an aggressive new digital strategy which also includes a line of original e-books.³³

**Canadian Consumer Magazine
Print Ad Spending vs. Digital Ad Spending, 2010 to 2015
(projected)**



Source: PwC p. 491-492

Global and domestic issues

- Applications or "digital stores" allowing readers to purchase and access digital magazine subscriptions and single issues are proliferating as use of tablets and other devices grows.³⁴ In this emerging landscape, commentators within the industry are urging Canadian publishers to move quickly to ensure they establish a strong digital presence.³⁵ To date, over 200 members of Magazines Canada have made their titles available on a digital newsstand hosted by the organization.³⁶
- A recent issue for the Canadian magazine industry has been postal rate increases and changes in funding formulas introduced by the new *Canada Periodical Fund*, as Canada Post no longer subsidizes postal costs directly. Overall print circulation of Canadian magazines declined 10.7% between 2006 and 2011, but the volume of magazine distribution through mail subscriptions decreased even further, by 18%. Meanwhile, magazine circulation by other forms increased 3.1% over the same period, as publishers turned to distribution channels such as single-copy sales, bulk distribution, and newspaper inserts.³⁷

Government assistance³⁸

- The Canada Periodical Fund launched in 2010-2011 by the Department of Canadian Heritage (DCH), offers funding to eligible magazine publishers for content creation, distribution, online activities, and business development. It also provides support for business innovation projects and collective initiatives that strengthen the Canadian magazine sector. The June 2011 Federal Budget permanently committed an additional \$15 million annually from DCH to the Fund to make up for the withdrawal of postal subsidies by Canada Post in 2009. This commitment maintained federal funding to the magazine industry at \$75 million a year.³⁹
- Ontario magazine publishers currently have access to public funding through the OMDC Magazine Fund. OMDC also provides funding to trade and event organizations in the province's magazine sector through the Industry Development Program for events and activities that stimulate the growth of the industry.
- The Ontario Arts Council provides financial support to eligible Ontario-based magazine publishers through its Periodicals Program. Eligible publishers must be significantly devoted to Canadian fiction, poetry and/or critical commentary on Canadian contemporary arts, culture and society.

Profile current as of November 5, 2012

Endnotes

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- 5 FIPP, *FIPP World Magazine Trends 2010-11*, pp. 63 and 66.
- 6 *Magazines Canada*, *Consumer Magazine Fact Book 2011*, p. 7.
- 7 Starch Research, *Information Sources Study*, March 2010, pp. 4 and 8.
- 8 *Statistics Canada*, "Periodical Publishing 2010," Table 1.
- 9 *ibid*.
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- 11 *ibid*.
- 12 PricewaterhouseCoopers (PwC), *Global Entertainment and Media Outlook 2011-2015*, June 2011, pp. 486-487.
- 13 *ibid*, pp. 618, 622.
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- 16 Statistics Canada, "Periodical Publishing 2010," Table 1.
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- 19 PMB, *Fall 2012 Report*, quoted in *Canadian Magazines*, October 1 2012.
- 20 Magazines Canada, *Digital Magazine Fact Book 2012*.
- 21 Magazines Canada, *Consumer Magazine Fact Book 2011*, p. 6.
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- 27 PwC, p. 619.
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- 29 "Ad pages for leading consumer mags down 9.2% in 2008," *Masthead Online*, January 26, 2009.
- 30 "100 Leading National Advertisers," *Advertising Age*, June 20, 2011.
- 31 "Marketing survey reveals companies look to spend more on magazine ads in 2012," *Masthead Online*, January 17, 2012; Magazines Canada, *Consumer Magazine Factbook 2012*, p. 17, PwC, p. 491.
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- 33 Magazines Canada, *Magazine 2011 Trends*, p. 23; *Masthead Magazine*, "Random House launches online magazine Hazlitt," August 24 2012.
- 34 "Three Useful Apps for the Publishing Industry," *Magazines Canada*, September 8, 2011.
- 35 Martin Seto, "2011 Year in Review – Trends and Issues that magazine publishers must be aware of," *Masthead Online Gadget Blog*, January 11, 2012.
- 36 *Magazines Canada Digital Newsstand*, accessed October 22, 2012.
- 37 "Canada Post losing Pub Mail volumes faster than industry decline," *Masthead Online*, January 27, 2011.
- 38 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.
- 39 "Canada Periodical Fund to stay at \$75 million: new federal budget," *Masthead Online*, March 23, 2011; "Canada Periodical Fund grants to come later this year, in two stages," *Masthead Online*, June 9, 2011.