

Presentation to the Standing Committee on Finance & Economic Affairs

Minister MacLeod's COVID-19 Book & Magazine Publishing Panel



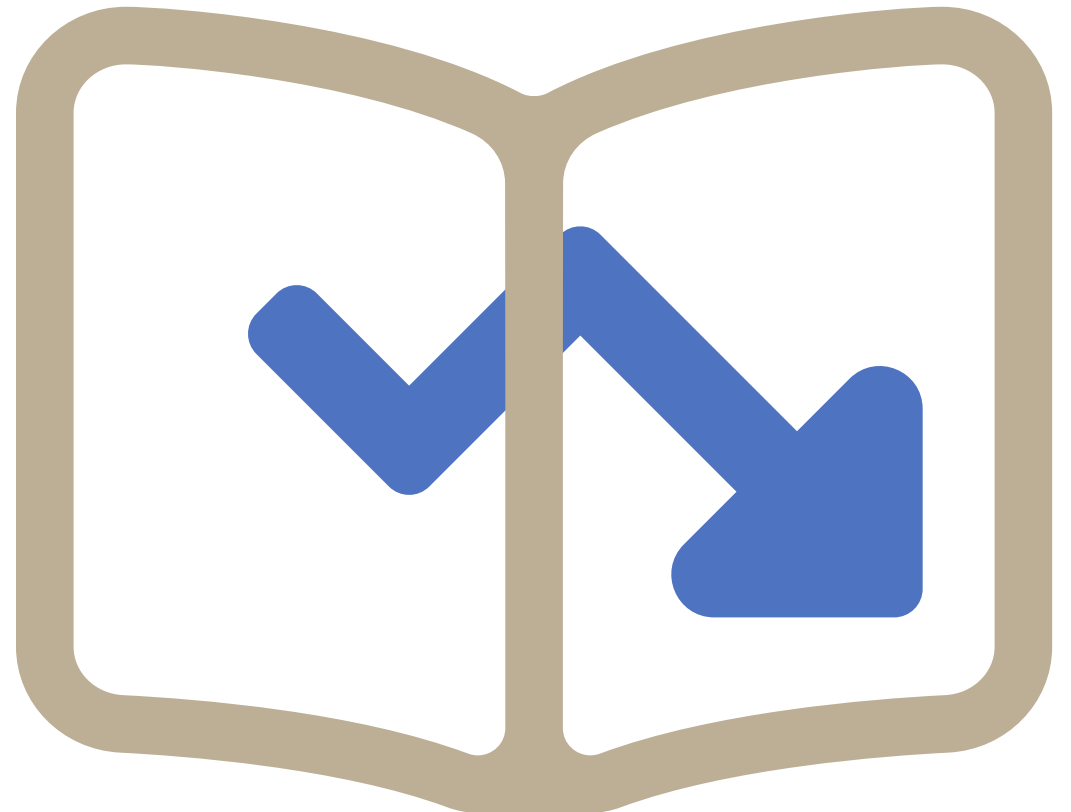
June 26, 2020

Prepared by the Magazine Publishing Sub-Committee

Impact on overall revenue

Financial losses are inevitable for 2020, as most Ontario magazine publishers focus their attention on cash flow and protecting the balance sheet.

Overall revenue drops are in the **35%+ range** for most Ontario publishers



Impact on advertising revenue

Print

30%

Drop on print ad spend with significant concern this loss could be **permanent**, particularly among national advertisers.

Ontario publications who completed our survey project
\$10.6M loss in ad revenue
between April-September 2020

**\$10.6
million**

The revenue contribution from print advertising remains significant, and its decline over the last decade has not been offset by other sources.

Digital

15%

Drop in digital ad spend.

Global platforms continue to grab the **lion's share** of federal and provincial **ad budgets** around COVID (Google, LinkedIn, Instagram, Facebook, YouTube).

Impact on live events

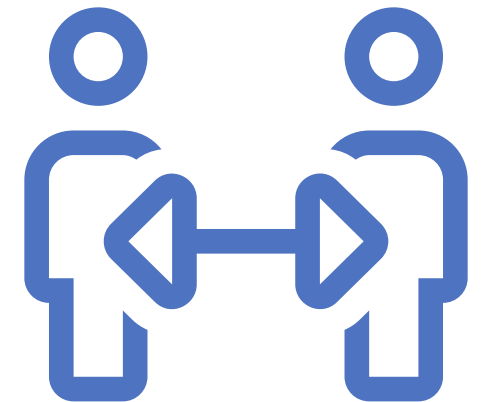
Many magazines have diversified revenue streams by pivoting to live events to connect with their audiences.

However, in the wake of COVID these live events are now liabilities.



Full scale cancellations, with live events expected to be affected through the end of 2020.

Virtual consumer events are being met with significant resistance from sponsors who want to interact with consumers face to face.



Impact on workforce

Many Ontario publishers have
let go between 20-30% of staff.



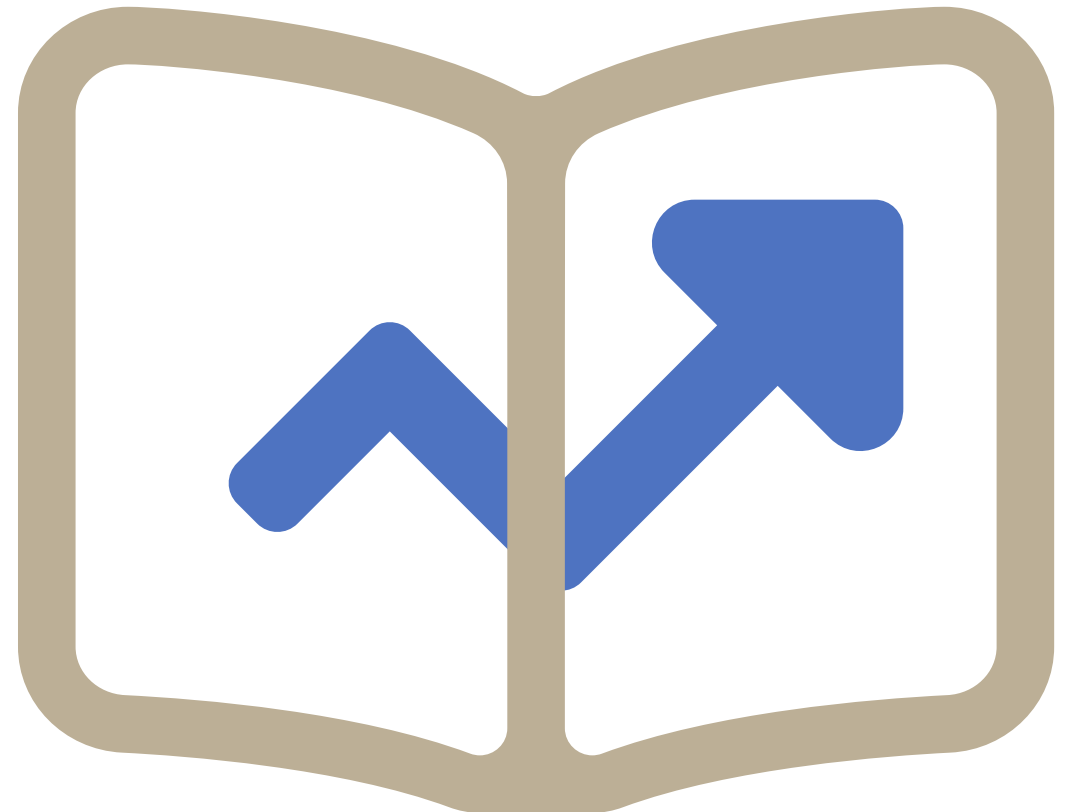
Within the next 3-6
months,

40% of positions are at risk of
being eliminated at Ontario
magazine publications who
completed our survey

25% of Ontario magazine
publications who completed our
survey may even **cease operations**

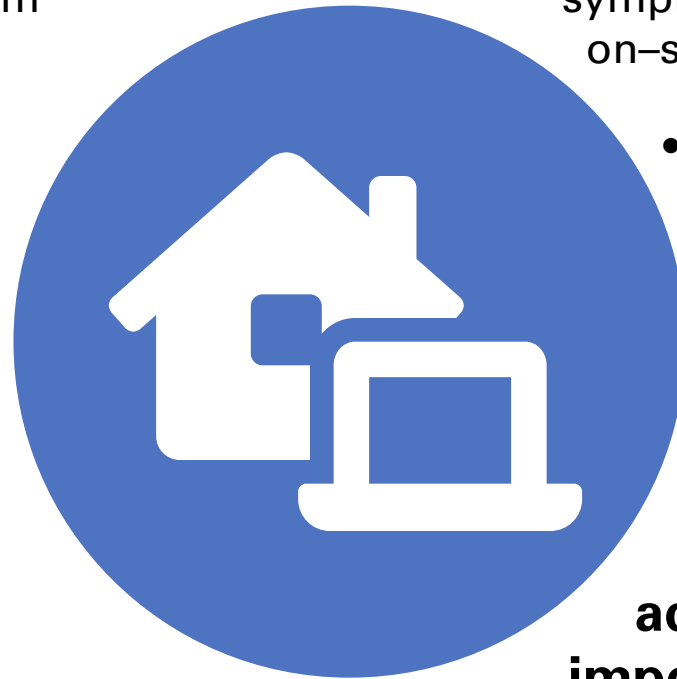
Recommendations: Ontario Creates Magazine Fund

- The Government of Ontario should increase the annual budget of the Ontario Creates Magazine Fund from \$2 million to \$4 million
- Increase the maximum allowable grant amount from \$75,000 to \$100,000



Recommendations related to improving public health

- Provide supports to allow employees to continue to work remotely for the near to mid-term
- Study the effects that working remotely has on mental health in order to understand and support accommodations
- Work with municipalities to increase safety measures for Ontarians travelling to and from offices using public transit
- Implement standardized temperature and symptom monitoring at offices, as well as on-site testing
- Implement standardized temperature and symptom monitoring at live events in the province, as soon as live events are once again feasible



These supports will help a broad array of industries in Ontario, give the province a competitive advantage, and represent an important investment in productivity.

Recommendations related to improving public health

In the COVID–recovery era, we need to find solutions for magazine browsing at retail outlets and libraries.

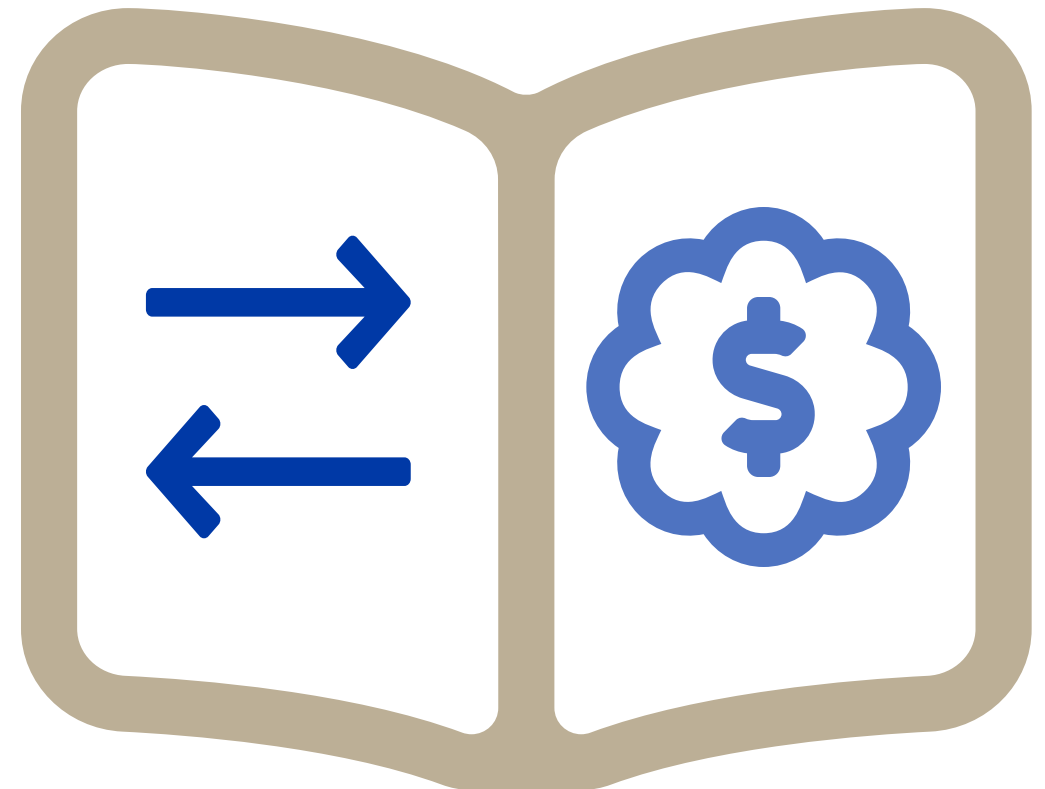
- Make print and digital magazines available for online purchase at major retail outlets, such as **chapters.indigo.ca** and **amazon.ca**



Recommendations related to cross-ministerial collaboration & support

- As a guiding principle government advertising procurement policies should put Ontario media (including print and digital magazines) first

Advertising revenue is an essential ingredient in Ontario magazines' sustainability in the COVID–recovery era



Thank you.

The logo for Magazines Canada, featuring the words "Magazines" and "Canada" in white, stacked vertically, on a red rectangular background with a curved bottom right corner.

**Magazines
Canada**

The logo for Magazines Ontario, featuring a stylized white flower icon to the left of the words "Magazines" and "Ontario" in white, stacked vertically, on a green rectangular background with a curved bottom right corner.

 **Magazines
Ontario**

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The logo for Magazines Canada, consisting of three horizontal bars: a top blue bar, a middle gold bar, and a bottom blue bar.

MagazinesCanada.ca

Remarks for Appearance Before Standing Committee on Finance and Economic Affairs (SCOFEA)
Minister MacLeod's COVID-19 Book and Magazine Publishing Panel
Magazine Publishing Subcommittee
June 26, 2020
8:30–10:00 AM

Slide 1: Title Slide

Melanie:

Good morning. On behalf of the Ontario magazine publishing sector, thank you to the Standing Committee on Finance and Economic Affairs for the opportunity to share your time this morning.

Ontario's magazine publishing sector includes consumer, cultural, and business media brands, with content distributed both in print and digitally, via a variety of web and mobile channels. Business models in the magazine sector increasingly incorporate a range of revenue streams beyond traditional subscription and advertising, such as custom publishing, events-based and retail-based revenue generation strategies.

Ontario has the largest magazine media industry in the country. It generated \$801 million in operating revenues in 2017, which accounted for more than half of national revenues.

It's a well-known fact that many award-winning Ontario-based writers are published for the first time in an Ontario magazine. Magazines are where our best, most celebrated writers first get noticed.

Magazines publish trusted content and news that is valued by Ontario readers and Ontario businesses who advertise in them. This has never been more important than now, during the Coronavirus pandemic, when indeed, Ontarians are craving information they can trust. We would argue no other media delivers this quality trusted content better than magazines.

So, you've all lucked out, because we have three of the best Ontario magazine publishers here with us this morning: Scott Jamieson, Chief Operating Officer at Annex Business Media, a business media publisher; Alysa Procida, Executive Director and Publisher at *The Inuit Art Quarterly*, a cultural magazine; and Gilles Gagnier, Chief Operating Officer and Publisher at *Canadian Geographic Magazine*, a consumer publication.

As our name suggests, Magazines Canada is the national trade association representing the Canadian magazine publishing industry, however, and this is important to underscore for this committee: The province of Ontario is the economic engine that leads the rest of the country in English-language magazine publishing. In fact, two-thirds of Magazines Canada's members are based in Ontario. This committee should be proud of that.

We were grateful to be asked to contribute to Minister MacLeod's COVID-19 Book and Magazine Publishing Panel. Minister MacLeod was very clear from the get-go: This was not about getting back to "business as usual". It was about helping her develop a path forward in the post-COVID mitigation and recovery era. It was about a path to success paved with innovative and fearless thinking. We thought this was brave and forward-looking on the part of the Minister. We applaud her, and we are happy to be here this morning to share our recommendations with you.

I will now give the floor to my Ontario magazine publisher colleagues.

Slide 2: Economic Impact of COVID-19: Impact on Overall Revenue

Scott:

Thank you, Melanie.

Financial losses in the Ontario magazine publishing sector are inevitable for 2020, as most magazine publishers focus their attention on cash flow and protecting the balance sheet.

Overall revenue drops are in the 35%+ range for most Ontario magazine publishers.

With margins already in the single digits for most publishers, this is not sustainable. Many will not survive.

Slide 3: Economic Impact of COVID–19: Impact on Advertising Revenue

Scott:

Magazines Canada's COVID–19 impact survey showed Ontario magazine publishers projecting a \$10.6 million loss in advertising revenue between April and September 2020.

We have lost 30% of the print advertising spend in the Ontario magazine publishing sector, expected to continue into Fall of 2020, with significant concern this loss could be permanent, particularly among national advertisers.

Legacy print advertising has dropped anywhere from 20%–50% compared to 2019, depending on the type of magazine.

In digital advertising, there has been a 15%+ pull back on advertising spend, as advertisers pivot messaging towards public service announcements (Thank you, frontline workers!) and focussed efforts on broadcast.

Global platforms continue to grab the lion's share of federal and provincial digital advertising budgets around COVID (including Google,

LinkedIn, Instagram, Facebook, YouTube). This is happening despite the fact that these global platforms provide no reliable news service to Ontarian and Canadian audiences.

Slide 4: Economic Impact of COVID–19: Impact on Live Events

Scott:

Many Ontario magazine publishers have diversified revenue streams by pivoting to live events to connect with their audiences. This innovative success is now a liability, however, in the wake of COVID–19, with restrictions on mass gatherings.

We are seeing full–scale cancellations of live events. Efforts to pivot to virtual events are being met with significant resistance from sponsors, who are looking to engage with attendees on large and in–person scale.

Slide 5: Economic Impact of COVID–19: Impact on Workforce

Scott:

Of those Ontario magazine publishers who completed Magazines Canada’s COVID–19 impact survey, 25% anticipate workforce reductions and may cease operations within 3–6 months.

Forty percent of positions are at risk of being eliminated at Ontario magazine publishers who completed the survey and anticipate workforce reductions and may cease operations within 3–6 months.

On the ground, the situation is that many Ontario magazine publishers have laid off between 20%–30% of staff to keep the lights on. It is quite likely that about half of those employees laid off won’t be coming back at all.

Slide 6: Innovative Sector–Led Approaches

Alysa:

The Ontario magazine publishing sector has long been a driver of innovation; in particular since the 2008 recession. Magazine publishers have accelerated the pace of innovation in the face of COVID–19. Examples include increased use and monetization of digital platforms, podcasts, video, webinars, research and lead generation. Innovation will be more important than ever in the COVID–mitigation and recovery era, but budgets and risk tolerance will plummet at the same time.

Ontario magazine publishers recommend that the Government of Ontario increase the annual budget of the Ontario Creates Magazine Fund from \$2 million to \$4 million to support the Ontario magazine publishing sector's COVID–19 mitigation and recovery.

We recommend that the \$75,000 maximum grant amount in the Magazine Fund be raised to \$100,000.

We recommend that a budget be set aside within the Ontario Creates' Magazine Fund specifically for innovation initiatives.

One example of digital innovation is customer relationship management software, which can be adopted and adapted by Ontario magazine publishers based on scale. Effective customer data capabilities enable magazine publishers to market more effectively to customers and represent an important sector–led digital innovation.

Support for just these types of innovation initiatives from the Government of Ontario via Ontario Creates will help the Ontario magazine publishing sector contribute to the province's economic recovery and its path forward in the post COVID–19 era.

Slide 7: Recommendations Related to Improving Public Health

Alysa:

The magazine publishing sector in Ontario needs as much business stability as possible. This will come from a sustainable re-opening or “new normal”, which will rely on a well-planned and executed testing and tracking regime.

We recommend that the Government of Ontario provide support to allow employees to continue to work remotely for the near to mid-term.

At the same time, we recommend that the Government of Ontario make it a priority to study the effects that working remotely has on mental health in order to understand and support accommodations.

We recommend that the Government of Ontario continue to work with municipalities to increase safety measures for Ontarians travelling to and from offices using public transit.

We recommend that the Government of Ontario implement standardized temperature and symptom monitoring at offices, as we on-site testing.

We recommend that the Government of Ontario implement standardized temperature and symptom monitoring at live events in the province, as soon as live events are once again feasible.

This support will help a broad base of industries in Ontario, give the province a competitive advantage, and represent an important investment in productivity.

Slide 8: Recommendations Related to Improving Public Health

Gilles:

In the COVID–19 mitigation and recovery era, we need to find solutions for magazine browsing at retail stores and libraries. It hasn't happened here in Canada yet, but earlier in the pandemic, Barnes & Noble, which is the American equivalent to Canada's Chapters–Indigo chain, actually stopped selling magazines in many of its bricks–and–mortar stores because of fears of transmitting the Coronavirus.

We recommend that the Government of Ontario work with Magazines Canada and major retailers like Chapters–Indigo and Amazon to make print and digital magazines available for online purchase at these stores.

Slide 9: Recommendations Related to Cross–Ministerial Collaboration and Support

Gilles:

Government advertising campaigns should use Ontario magazines. We recommend that the Government of Ontario revise its advertising procurement policies to put Ontario media, including magazines, first, as a guiding principle.

Ontario magazines can deliver the government's target audiences through top–flight original content and trusted advertisers. We know that advertising revenue is an essential ingredient in Ontario magazine publishers' sustainability in the COVID–mitigation and recovery era.

As an example, we recommend that the Government of Ontario create a “Made in Ontario” or a “Buy Ontario” advertising campaign and work with Ontario magazines to get the word out. By promoting Ontario businesses and Ontario pride, the government could also identify key industries or companies to support on Ontario.ca.

Slide 10: Thank You!

Melanie:

This concludes our presentation. Again, we would like to extend our sincere thanks to the Minister of Heritage, Sport, Tourism and Culture Industries, the Honourable Lisa MacLeod, for the opportunity to contribute to her COVID–19 Book and Magazine Publishing Panel, and to appear before the Standing Committee on Finance and Economic Affairs today.

Our contact information is on this final slide.

We would be pleased to answer your questions.

Thank you.