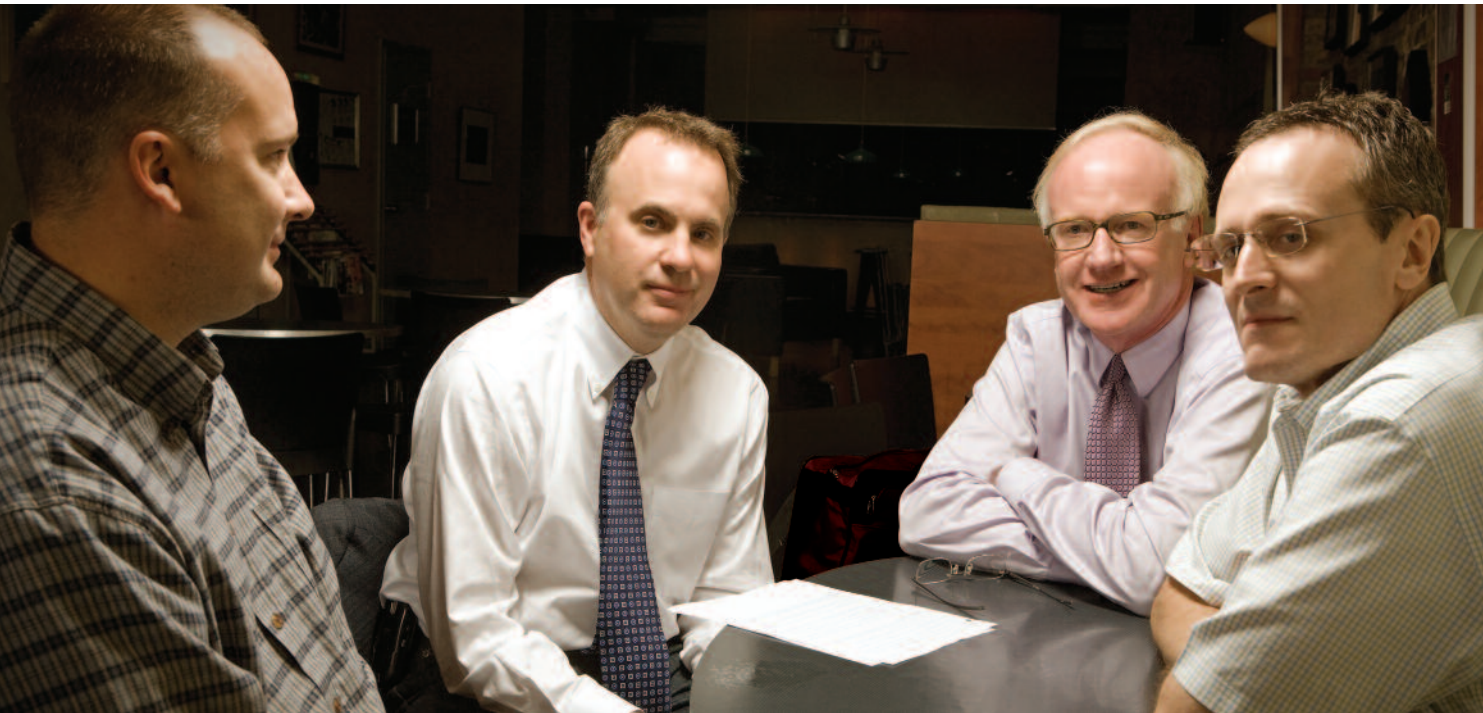


Circ Watch 2009

Our expert panel dishes on rising costs, declining direct mail and the brave new world of “audience development”



Back in October, we gathered four of the country's top circulators—Jason Patterson of Transcontinental Media, Circ Matters columnist, Scott Bullock of CDS Global (moderator), Jon Spencer of Abacus Circulation, and Peter Willson of Hello! Canada (Rogers)—for a wide-ranging conversation over lunch at The Rivoli in Toronto.

SCOTT BULLOCK: We're looking at some serious economic issues that have suddenly gotten really scary. I'm wondering if anybody is seeing this manifest itself in terms of budget revisions to certain circ operations—or not.

JON SPENCER: I'm not seeing it from the publisher's side. The one thing I've heard from a person who does a lot of trade shows—like Word on the Street—is that the number of people subscribing at shows is down. We'll see it first in those kinds of environments and pretty soon we'll see it in single copy sales, subscription response...

JASON PATTERSON: Corporately there hasn't been a lot of tactical change yet, but if there is any talk, it's on the [ad] sales side first. On our side, it's trying to continue to protect the investments you'd make in circ moving through this year, as opposed to reacting and pulling them.

PETER WILLSON: I'm finding that—while always aggressive—budgets are being maybe a little more realistic this year.

SCOTT: Do you think circulators are going to be trimming rate bases and cutting down on direct mail, instead of trying to force subscription price increases to deal with rising delivery costs?

JON: For the circ-driven magazines I work on, making circ profitable remains the goal, the struggle, the challenge. So you may have to start trimming circ in this environment. Every magazine is going to have its own response. But I think that not knowing what's going to happen with the periodical fund, combined with ongoing Canada Post commercial rate issues, makes for an awful lot of uncertainty. People are going to switch their circ in some way, shape or form.

DIGITAL

SCOTT: Is digital a way to avoid some of those postage costs?

JASON: It's different on all our titles. Some of our magazines haven't embraced digital and some of our books have. We're using digital links on *Hockey News* as an inclusion-for-value proposition in the purchase.

SCOTT: Access to the archives, for example...

JASON: Yes, that kind of stuff. We want to offer our consumers choices. We'll let them decide how they want to receive our content, instead of the other way around. We all know our industry is in the middle a huge change and our corpora-

tion is entirely focused on how are we going to deliver a high-value audience to a particular community. And that isn't exclusively magazines. We're going to continue to be a combination of all types of audiences. I think these cost increases are going to make us do that faster as an industry. I think you're seeing that in the U.S., too. For example, *Circ Management* magazine is changing its name to *Audience Development*.

SCOTT: I think you've really put your finger on it, Jason. I remember when we used to be called circulation managers and then they changed it to consumer marketing managers and now we're morphing into audience developers.

PETER: Absolutely.

JASON: Because it's across channel, across platform. We have to think about delivery of a community, not delivery of a magazine. We need to figure out which channels the consumer wants in order to be part of that audience.

PETER: Audience development is very *au courant* at Rogers—especially audience development on the Web. We're seeing some of the reporting and attention to metrics we've seen in circulation before now being applied to Web development.

SCOTT: In the b-to-b world, capturing demographics has always been par for the course. Everything from job description to income to how many people you manage. It's quite complicated data gathering. Is this something you're seeing as a trend in the consumer space?

JASON: Absolutely.

JON: But there are a whole lot of privacy issues involved and consumers might not click something because they know you're going to try and get some information on them.

SCOTT: Don't we now have the ability to start capturing more demographic information when people subscribe online? Information that can immediately be appended to the database, and then used for data mining purposes to learn more about them, what their age is, and so forth?

JASON: I don't see us doing that straight up front. But as we bring your activities together, as readers do different stuff with us, then we make sure we know all that in the background. The customer may tell us things in different ways. Look at Facebook. People put a tremendous amount of information on Facebook that nobody asked them to. The individual thought everybody in that community wanted to know certain stuff, so they put it up there. You're going to have people who won't, but there are enough who will and you're going to know a lot about your community that will be very valuable.

SCOTT: Are you able to share with us any trending data in terms of how many subscribers digital is contributing vis-à-vis five years ago?

JASON: That is also all over the map by title. *The Hockey News* does very well online—it's 20-plus per cent of the subscription business. A couple of the other niche publications we have don't generate a lot of orders. Less than 5% really.

SCOTT: But growing?

JASON: I would say the biggest growth has already happened. We had those few years of going up in a hurry in terms of the channel and now it's just incrementally growing. Web orders are not a source really, it's just a method of transaction. They don't want to do it on paper.

SCOTT: Because they have environmental issues?

JASON: They don't have to talk to somebody.

JON: I'm at the high-end of the demographic of the “youngens” but I realized at some point that I'm not going to the mailbox because I'm not mailing letters to granny anymore. And I'm not paying my bills at the mailbox. So why would I ever order anything that way?

I think from a circulator's standpoint it's a bloody headache. Because for every print-based promotion you get into you've got to have presumably either a unique URL and dorsal set up, a special customized page that mirrors the offer that was sent.

SCOTT: Way more work, no more pay.

JON: Personally, I wake up every day condemning the Internet and then I start surfing.

TRADITIONAL SOURCES

SCOTT: What do you see happening in direct-mail? More bad news? Harder to get good, qualified lists? Postage costs going up?

JON: All of the above. I think direct mail lately has become rather depressing. Response is going down, privacy impact, availability of lists—all those factors are huge. There's the real cost increase, but then there's all the hidden cost increases. If I'm trying to trade with another magazine and the number of names they have available that are privacy compliant has decreased, then that means I can't use as many of those names that would be normally responsive. I now have to go looking for other names. I have to rent names I wouldn't otherwise.

“The most important part of the cover is really the bar code. Messing it up is the fastest way not to get into a good promotion.”

PETER: I recently had some healthy discussions on a certain source I wanted to explore and there was a little bit of pushback: “We've tried that before and it didn't work.” We had, for a period, a sponsored program that was being delivered as part of our public place program. And when we were hitting our circulation numbers, thanks to strong retail sales, we realized we didn't need that part of the program. Fabulous savings. And we weren't in need on any other source. So on the last three copies to that public place we put an offer, saying this is your third last copy, your second last copy, your last copy, with a cover wrap and three cards on it and a line saying “share with your customer as well,” because it was going to beauty salons and things of that nature. And our response rate was incredible.

SCOTT: 2% would be incredible.

PETER: We tripled that, at least. The point is trying something and using the product to help sell.

SCOTT: What about insert cards?

JON: It goes back to what you were saying earlier, Jason. People pick the insert card up, look at it and then go to the website and order. So, do I track it as a web order? I'm not sending them to a unique URL, they're just going to the magazine's generic website, coming in as an order. I have no way of correlating those two facts. Insert cards seem to generally be down, Web orders seem generally to be up. Is one offsetting the other? Depends on the title.

JASON: It's a hard thing for circulators. We're los-

ing some track-ability even though on the Web we can track better. Pricing is all over the map. We've got to get to a point where there is some standard pricing. We still try to price the Web stuff higher. We're doing that to protect the other things we have out there, so a lot of the offline stuff gets the lower price.

NEWSSTAND

SCOTT: Peter, any advice regarding the newsstand?

PETER: My top three right now are:

- 1) Understand the wholesaler's network and the logistics system, so that you understand when the product is going to be delivered and displayed, because there is a variance of up to four days any time a product gets into the market.
- 2) Have a full understanding that the most important part of the cover is really the bar code, because if you mess up with the bar code in any way shape or form, that's the fastest way you're not going to get into any good promotion or get on display, especially as a weekly, but even as a monthly. It's going to slow down your on-sale by at least a week and there will be additional costs.
- 3) An outright share of mind commitment for all publishers to understand the retail side and give it a share of mind during the course of absolutely every week.

SCOTT: At the big companies, there are professionals who can work on this stuff 24/7. For the remaining publishers, do you think they should simply spend a little more time focusing on retail because it is such a good source?

PETER: It can be a profitable source if you've got the right product at the right place with the right price at the right time. And if you don't, lower your expectations. You just have to ensure that you understand all the players that are involved in the whole game, anywhere from the printer and the paper manufacturer right down to those who are selling the promotions and wanting you to participate. You have to reaffirm your priorities, and there are different priorities for different publishers. Anywhere from ensuring there's a solid ROI behind it, and looking at it almost on a daily basis, to ensuring that you do have visibility in key locations, because that's important.

SCOTT: Jon, have you seen lifts when you're able to promote?

JON: Usually it's just buying into a store that should be giving you access anyway. From the small magazine perspective, the newsstand always feels like the most depressing thing on the planet, the one thing we have no control over. There's no direct response element to it, no scientific measurability to it, we can't get the numbers when we want them, when we do get the numbers they suck, when we try to change the numbers we do worse. How do you get out of this particular, nasty, horrible environment? I've been trying for years and never getting anywhere. We're going to get shafted by this just like we've been shafted by everything else. ■