



Sampada Pty Ltd ■ ABN 45 001 889 756 ■ Trading as Fusion Strategy
Level 6, 46 Market Street, Sydney, NSW 2000 Australia
Tel (02) 9254 9100 ■ Fax (02) 9254 9199 ■ Email sydney@fusionstrategy.com.au

Publishers Australia Magazine Week Media Landscape

We have participated in, helped shape, and witnessed decades of the Media landscape. We see every other year headlines of revolution, proclaimers of media devastation, ... but the fact is the Media landscape evolves. We understand the desire for generating topical 'heat' to create enticing headlines to sell copy. However evolution it is for the main part, not revolution.

If you compare one decade to another some changes and trajectory seem remarkable. But in the broad context, the Media Markets gradually adapt and change. No question the biggest single change, which has brought a truer 'revolution' is Internet. 1% share of ad dollars a decade ago, ... 22+% today.

The impact has been biggest on print, in part due to the early move of classified Online 'category killers' Seek, Carsales, Real Estate, then Wotif, eBay and so on. Taking away both volume, historic uniqueness and significant profitability from Newspapers.

Now, in an entirely different way of 'content', this has flowed through to the Magazine market. Content which is not exclusive, examples gossip and celebrity, ... and can be readily found online.

Most publishers face the prospect of 'damned if you do and damned if you don't', with Online content, especially apps for Tablet or Smartphone. If you shift good content beautifully online/to another platform, does that mean less purchasing of hard copy? Surely that is a significant risk. What can you make out of Online/website, audiences. Typical model.

Magazine ad \$1,200,000 per month
Website \$110,000 per month

I would love to be able to tell you the terrible market conditions Magazines and Print Media faced for the past year will change, and change tomorrow. But I cannot. It is more like this is the new landscape Print Media face.

You all know the reality of the mainstream consumer magazine marketplace. Key categories are going down and at a fairly rapid rate, mostly related to younger audiences. Men's Lifestyle, Computing, Gaming, Teen and Tween and even Women's Lifestyle and Celebrity. Plus the mass market magazines have had a rough decade though somewhat stable now.



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Collectively this has spelt the worst circulation trend on record. Last downturn was 2000/2001 when roughly 5% of the Australian Magazine marketplace went missing, but then a bounce back.

This trend is much more severe with a dramatic fall in 2008, followed by a prolonged downhill run which the present market sentiment and retail sales only says will likely continue for 2012 and much of 2013

-8.37%	-2.03%	-6.17%	-5.36%	-2.78%	-2.86%
2008	2009	2010	2011	2012	2013
Actual			Forecast		

These recent declines are both structural and cyclical. We do not expect a bounce back. Stabilization is the outlook as consumer’s sentiment and Retail Sales outlook improves. The Reserve bank rate cut last week will assist, but of itself not enough to boost Retail strongly and therefore not enough to get growth back into the overall Magazine market.

Audit Bureau circulation figures released tomorrow will no doubt, confirm this prognosis.

The obvious and big challenge for Magazines, is to get back on the front foot stem the circulation loss and get back to growth.

We believe this is the best way to get Advertisers and the leading Media Agencies to re-engage and embrace Magazines. Magazines need a game changer, to cause Advertisers to re-evaluate the outlook and value of Magazine and recommit to your medium. Presently they are a little disengaged in our view.

I don’t know if any of you saw a recent marvellous and informative film ‘Page One’. Whilst obviously about physical Newspapers and big city dailies at that, the forces of criticism and resetting of print relevance, in the digital age, was well displayed, debated and argued. The central themes of debate succinctly exposed. And I walked away optimistic. But it certainly did not shy away from the challenges and prospects. Of course it is set against a harsher backdrop of North American Publishing and Advertising market. But here, we face similar challenges, without the same back drop.

We post circulation declines of -2% 2009 and -6% 2010 for Top Consumer Magazines, US posts -6% 2009 and -6% 2010



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So, we are doing comparatively better.

But we post -5% 2010 All Magazine (inc NIMS) Advertising revenue and something like -7% YTD September. For comparison again, US estimated to be off 5.2% 2010 and supposedly up near 3% YTD 2011. However US does not have SMI yet, so real ad dollar declines are masked by their methodology to rate card.

Our forecast for this year has changed a little since mid-year update, July. Overall we have slightly revised downward \$12.6b to \$12.57b, but the mix a good deal different.

Based on latest industry sector data, plus SMI, we downgraded every medium slightly, but strongly upgraded Internet. Up nearly 7 points from 12% to 18+% growth rate.

Print, ... Newspapers and Magazines, stick resolutely to losing most of their 2010 recovery gains and have suffered further downgrade with the latest data to hand.

So what of 2012 and 2013? As some of you may know with our mutterings on the marketplace ... we don't see much of an improvement, as we cannot see the present market dynamics and sentiment altering that much. If we have two more RBA Interest rate cuts in next 6 - 12 months, yes we do think consumer's resolute resistance to spend will melt away. But only if further cuts occur.

Thus with a present forecast of +2.18% for 2011, really all driven by Internet, 2012 will only be a slight uptick and 2013 another small increase.

What is surprising in this 2009 Australian Advertising recession, is that print media have not recovered like others. Newspapers and Magazines did not experience the same bounce as others in 2010, and have not even sustained this recovery 2011. So why is it so? Is this the long awaited structural shift anticipated by many? A generational shift away from the printed product to Online or some other soft copy format? Or consumers abandoning Print Media?

Make no mistake; as I am sure you don't, ... this is the most challenged time in the Magazine markets history. It is the first really serious and sustained challenge to emerge. In the paid cover space you face twin challenges

- 1) a distinct leakage in a good variety of categories, for similar content Online
- 2) a marketplace of intractable consumers unwilling to spend (or even consider increasing their spend)



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These conditions will persist, certainly for the next two years.

For B to B, B to C, Custom and even Digital the true challenge is attracting, and keeping, targeted eyeballs. Most everyone is being overwhelmed by content. It has become increasingly difficult, and disruptive, to consume the content served up via Email, and with embedded links.

You all know the elephant in the room. Indeed most of you take advantage of Online in your publishing today. But it is now critical mass and growth rate trajectory putting serious strains in the marketplace.

In five years Internet has doubled its Advertising market share now sitting as #3 Medium, and within a year from now, it will be #2. Even recently, its growth has been taking toward two share points annually of the Media Markets Advertising, now sitting at over 22%. This is simply starving other media for both growth and advertising dollars. The trouble is 'Publishing dollars, online cents' when it comes to revenue.

We do not believe all of the change in print right now is structural. Yes there is some. But simultaneously we have cyclical headwind factors; consumer confidence, propensity to spend producing an anaemic Retail marketplace. These market conditions are not about to change. We believe market sentiment will moderate, however not significantly change. The Melbourne Cup day rate cut will help, ... signalling an end to rate rises, and this alone will buoy consumers. But the atmospheric go much deeper. The conflicts in the market are not about to be quickly resolved. More retail pain will persist and any slight recovery will be erratic, unable to be banked on.

As a backdrop this suggests no turnaround for Magazines. Without a sustained Retail Sales pickup we cannot see audits posting circulation recovery.

And without this Advertisers will not have the catalyst to re-evaluate Magazines. We do not believe Advertisers are against Magazines, just not terribly pro Magazines at this moment in time. The ABC audits plus SMI data trends, are conspiring against the Magazine marketplace. As an industry you need to get as many good data stories out there about the fundamentals of Magazines. To win back Clients, and Media Agencies, you need to return to overall growth, and this is not happening right now. A bit like 'the chicken and the egg'. Circulation stabilization and masthead growth would possible be, enough right now. Magazines have to get on the front foot (again!).



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We believe consumer ‘engagement’ is the most compelling story for Magazines, building more solidly and more rapidly Brand awareness, Brand recognition, Brand values and trust. In the fast moving Digital Age this is a huge strength which must be exposed and exploited. With momentary attention spans and much of what is consumed digitally completely disposable, any area of the Media which engages is a rich rich platform. This is Magazines. This in our view is what you must fight for. This is what will sustain the Magazine industry.

Much is being done to improve the product, to extend Magazines platforms, not the least of which is the encouragement Publishers Australia’s Excellence Awards engender, as well as other recent awards. All of these encourage competition, drive, innovation and competitiveness, are partly the catalyst for improvement.

This is the heartbeat of health in Magazines. No one is going to clear the stage and give you your place, your platform. Magazine have to fight for its place in the hearts and minds of Advertisers and their Media Agencies. You simply have to up the ante.