
Ideas and Recommendations For Privately-Owned, Niche Publishers

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Introduction: The Challenge

Privately owned, small and medium scale publishing companies are hard pressed to keep up with rapid-fire, compound changes in their industry. Many lack the resources to address the never-ending challenges posed by new technologies, distribution channel upheaval, and staff training. While some owners have decided to toss in the towel, sell the business, and move on, others are continuing to adapt and grow.

We looked at recent trends among these successfully adaptive companies to find good ideas and practical strategies that might benefit other niche publishers facing the same circumstances.

In some cases, we interviewed publishers to learn why they chose some strategies over others, focusing on smaller scale publishers who have niche consumer magazines, Websites, and books. We also gathered information from the publishing business media, as well as market trends analysis from trade associations.

In addition, we’ve looked at recent media acquisitions in the United States and elsewhere, noting what qualities buyers prized most. The list is not surprising; buyers want to see diversity of income – a mix of print, Web, and live events – in well-chosen B2B and consumer niches, especially those with youthful audiences, and forward-looking industries, such as healthcare, education, and alternative energy.

Before adopting the recommendations that we offer in this report, we hope publishers will customize our ideas to fit their company’s experiences and capabilities. These suggestions are meant to spark discussion and debate, leading to a consensus about which are the most promising opportunities for any publisher.

Any new strategy must build on the company’s current strengths and weaknesses. Further, the strategies that apply to some product lines may not apply to others. In particular, magazines and book lines that are first among competitors have options not available to weaker ones. Developing a custom growth plan requires honestly assessing the market power for every product group and developing a specific plan for each. We begin that process by offering some general suggestions in this report.
The Internet Effect

For the first time this year, iTunes music sales and Amazon book sales were greater than the largest respective US retail stores, Walmart and Borders. Several American IT publishers also announced that their online revenues exceeded print revenues this year, too. In 2000, the Pew Internet Life survey found only 24% of US Internet users shopping online, and the researchers commented, “Clearly, the online population sees the Internet more as a tool for information gathering and communications than for commercial transactions.” But by 2008, 66% of online Americans say they have purchased a product online, such as a book, toy, music, or clothing. This year, the Pew researchers said, “American Internet users have completely embraced online shopping because it is convenient and a time-saver.”

About the Authors
We are marketing strategy consultants who work with book, magazine and Web publishers to grow revenues, increase profits, and find new audiences. Cheryl Woodard is a co-founder of PC Magazine, PC World, Macworld, and the Macworld Expos. Her consulting business is described at www.PublishingBiz.com. Thea Selby has supervised both circulation growth and corporate marketing for media properties in several high-tech markets including the computer and interactive entertainment industries. She is a principal at www.NextStepsMarketing.com.
We want to emphasize that the embrace of online shopping happened very quickly – from a slow start in the 1990s, online sales reached a ‘tipping point’ about five years ago, in 2002, when the percentage of US adults using the Internet reached above 60%.

A survey taken last February found that 47% of all Americans had a broadband connection at home, and broadband access has been steadily climbing since 2000.

**IMPACT ON Magazines**

Total print advertising in US magazines has grown by 48% since the last economic recession in 2002 – an average of nearly 10% per year. But last year’s growth was only 6.3% and the pace is certainly slowing. However, total online advertising nearly tripled during the same time period.

Online advertising is gaining on print for all types of products, but especially for tech products. Technology advertising expenditures in print magazines have been essentially flat since 2004, and actually declined by 9% in 2007. Consequently, those US publishers who depend almost entirely on technology ads have been the most impacted by the shift online.
Publishers entirely dependent on print tech ads have been forced to reinvent themselves as online businesses. Many have abandoned print altogether.
Impact on Books

Naturally, the Internet has had an impact on the book business, too. While overall book sales have been growing at a rate of about 5% per year – just about equal to the US inflation rate – Amazon’s book sales have been growing about three times as fast. Publishers we interviewed spoke about “the Amazon effect” on their businesses these ways:

- Bookstore Consolidation – driven out by the chain bookstores, the number of independent retailers has fallen, as evidenced by a drop in the number of stores that belong to the booksellers’ trade association, ABA. In 1991, ABA had 5,132 members and only 1,660 in 2005.

- Fewer Retail Stores in Total - despite the growth of chain stores, the total number of retail bookstores fell from 18,230 in 2005 to 11,218 in 2006, leaving publishers more dependent than ever on online sellers, especially Amazon.

- Lower Profit Margins – Amazon pays a lower share of the cover price than bookstores do.

- Discounting Direct Sales – because publishers must compete with Amazon for direct sales to consumers, there is pressure to match the discounts consumers can get from Amazon, further reducing profit margins.

- Staying in Print – titles that no longer had a market in bookstores can remain viable and stay in print longer because of the opportunity to reach specialized audiences through Google searches and Amazon.
CEO Ralph Warner told us that his $18 million niche book company Nolo would have folded five years ago had he not been extremely aggressive about developing a strong online strategy. The greatest challenge came from new dot-com competitors who were totally focused on delivering online information and services to Nolo’s audiences. Nolo had to defend against them or give up. Facing a triple threat of shrinking margins, tightening retail channels, and fierce online competitors, Nolo had no choice but to reinvent itself as a print/Web hybrid company. We profile Nolo later in this report.

All of the US magazine and book publishers that we studied, in every market, have been rapidly adapting to a hybrid print and online business model that we describe throughout this report. What’s more, they’ve all invested heavily in developing maximum visibility through the search engines. And they use cross-promotions in online and offline media – especially radio and TV – to drive Website traffic which, in turn, drives sales for an integrated network of products.

As Dale Dougherty, SVP of O’Reilly Media, a technical book, event, and consumer magazine company told us:

We’re in a transition period in the US. The market for tech books is shrinking after a period of expansion in the 1990s when the big chain bookstores Borders and Barnes & Noble were taking off. That growth was tapped out by the time Amazon became a force to be reckoned with. Now Amazon.com is O’Reilly’s #1 account for book sales, up from the #5 spot in 2001. The consequence of Amazon becoming #1: people first go to
Amazon instead of bookstores because they know Amazon will have a book, and the bookstores are not carrying as many computer books, anymore. And since so much technical information is available for free online, it doesn’t make sense for us to put it in our books anymore. That’s why our company has had to invent other information packaging ideas.

We cannot assume that events will unfold the same way, especially for B2B and on-tech subjects categories. But we believe that every publisher can learn from the tech experiences that we document in this report.

**Key Planning Considerations**

In order to grow, every publisher needs to accomplish three key objectives:

- **Revenue** – finding new revenue sources, either coming from existing customers and product lines, or from new ones.

- **Diversity** – reducing dependence on current advertisers, readers, and sales channels by developing diversified revenue sources, especially addressing the Internet’s potential impact.

- **Value** – increasing market leadership, products, and/or publishing expertise that will add value for prospective buyers and strategic partners.

Each company begins the planning process with different strengths and weaknesses. We encourage a bold and unflinching assessment of the status quo with regard to each of the following:

**Customer Loyalty and Market Power** - Brand extensions and other aggressive growth strategies are most successful when a publisher already enjoys the loyal support of key audiences and advertisers, and a leadership position among competitors in any given niche. How much leadership does CP enjoy in each current niche market? Which are the most promising markets in terms of customer loyalty and brand strength?

**Customer Needs and Spending Capacity** – Any new products or brand extensions must truly respond to the unique needs of customers. What do we know or believe the current customers are willing to buy from your company? Are there technical limits (like Internet access capacities, privacy customs, niche cultural norms) that restrict your options for online publishing?

**Audience Segments** – New initiatives should focus on your strongest current advertiser and reader segments and the ones where you have the greatest depth of in-house expertise as well as the highest level of customer loyalty. At the same
time, the Internet makes it possible to reach new audiences outside of the U.S. Are there any audiences that you want to explore beyond your current ones?

**Skills of the Company** – A weak team is incapable of acting, even with a good plan. But selectively adding new players to the team might rapidly address some weaknesses. And training and cross training might be appropriate. What skill shortages should be addressed? What strengths could be exploited better than you have done so far?

**Intellectual Property Assets** – Are there clusters of audiences and advertisers around niche topics that could be translated into new books, periodicals, Websites, or conferences? Does your company have any strong content that could be repackaged in digital formats?

**Prospective Partners** – Forging strategic partnerships with strong vendors, weaker competitors, or new marketing allies might accelerate growth faster than launching new internal initiatives. What acquisitions or partnerships might be possible? Are there potential licensing deals that might jumpstart your activities in new niches? Are there partners who could help to quickly add brand extensions in the strongest markets?

**Internet Strategies**

Based on what we observed among strong Internet companies, our recommendations for Websites are:

- Maximize visibility with searchers
- Develop non-ad revenue streams, especially reader-driven ones
- Increase ad revenues by selling content sponsorships
- Combine the strongest magazines, book subjects, and Websites into integrated marketing solutions for advertisers
- Use the strongest niche Websites to cross-promote print businesses

**Grow Traffic Through Search Optimization**

Every publisher we interviewed talked about the power of search engines to help niche publishers build a sustainable business. We encourage all publishers to continue investing resources towards search engine optimization.

Book publishers benefit from search optimization strategies, too, if they build Websites and use search engine promotions to maximize the visibility of their products among readers searching for information online. For example, in order to
optimize their Google rankings, self-help law book publisher Nolo.com posts blogs, articles, and podcasts written by its authors and book editors. They’ve also organized their book site into subject areas with articles written exclusively for the site in order to maintain high Google rankings. One full-time employee works on maximizing search engine rankings. As a result, Nolo gets about $1 million in sales per year from people searching through Google. Where necessary, the company also buys keyword ads at search engines, but the publisher notes that his business would not be profitable if Nolo had to buy as much advertising-driven traffic as it gets from free optimization activity. We profile Nolo in the book strategies section below.

**Example, Creating a Business Based on Search: HowStuffWorks.com** is a Website “powered by curiosity” that built its audience by focusing content on topics that are often the subject of search queries. Although it was originally designed for children, the site has been organized into 11 channels that appeal primarily to adults, including health, computers, science, money, and travel. In each channel HSW teams with information providers who are trusted in that market, and condenses complex information into formats that are relatively easy to understand. The publishers claim that 70% of its top 100 articles place among the top 3 results on Google organic searches. The site currently has 11 million users globally and reports 3.8 million unique US users per month. It was recently sold to Discovery Communications for $250 million. We profile them later.

**Example, Strategic Partnerships with Search: The Motley Fool** – One of the leading sites about money and investing, Fool.com began as a small print newsletter and then a Website in 1998. Through strategic alliances with Yahoo, MSN, and AOL, Motley Fool has become one of the top providers of financial information to American audiences. Their search strategy was simple – they helped other search engines compete with Google by providing content for financial pages at the other sites. The content was free so long as it linked back to Fool.com. As a result of these strategic partnerships, Fool.com currently reaches 2.4 million visitors per day.

**Diversify Online Revenues Beyond Ads**

With very few exceptions, U.S. magazine publishers have found that online advertising generally does NOT make up for losses in print advertising revenues. As a result, publishers have developed other non-ad revenue options to make up the difference. Some of these ideas can be executed through third-party vendors.

**Transaction Commissions**

Any site with high traffic volume and product oriented content ought to be able to generate lots of income through sales commissions. Moreover, third party vendors like CommissionJunction.com can manage the process for you completely. We recommend that all content publishers explore this option, which works very well for some tech sites.
Example, Reader-Driven Revenue: PC World – with very high traffic levels among computer consumer audiences, PC world earns income from transaction commissions on third-party sales of computer products through its Website. PC World’s magazine editors already had experience writing product reviews, and it was a simple step to add the shopping option to reviews posted at PCWorld.com. They turned to one of the many price-comparison shopping bots, PriceGrabber.com to implement this program, which earns the magazine a small commission whenever a visitor clicks on a merchant’s product link. You must have volume on your site to make this strategy in any way significant. IDG’s Paul Calento told us:

Commissions are low as a percentage of total online revenues, but extremely important to us as a reader-driven revenue channel that protects us – a little – when ad revenues fall during challenging economic periods.

Here’s what Price Grabber says about its value to publishers:

By adding PriceGrabber's detailed product information and e-commerce engine, they have increased the value and functionality of their sites. The enhancements result in more frequent returns by users who benefit from the data and functionality while generating incremental revenues for the site. PriceGrabber's industry leading comparison shopping service integrates seamlessly with your site's content and design, allowing users to navigate between your content and related product information with a simple click. And through PriceGrabber's relationships with hundreds of the Internet's top merchants, you'll receive a portion of the referral revenues generated through your site. PriceGrabber can complement your existing e-commerce initiatives or serve as your one-stop shop for building incremental revenues and adding functionality to your site.

SELLING PAID CONTENT TO CONSUMERS

Readers are reluctant to pay just for information. But they have been willing to buy information that is packaged in a useful way, or that is clearly more than just a news article or product review. Here are some examples.

Example, Creating Custom Documents: Nolo’s NoloNow – a publisher of law books and self-help legal information, Nolo.com developed online tools that help individuals write complex legal documents without the help of a lawyer. For example, for $69.95 you can use their site to write your own will. Delux versions of the product come with digital editions of Nolo books about estate planning and retirement. Nolo also offers online legal forms for many purposes, from loan agreements to leases. Each form costs $5. We say more about Nolo.com in the book section below. [http://www.nolonow.nolo.com](http://www.nolonow.nolo.com).
Example, Learning or Training Employees: Media Industry News (MIN) paid Webinars – MIN is a business to business publisher that charges $297 per location, for seminars on publishing business practices that are run by professional trainers. One recent example was a workshop about selling Internet ads – a topic that many publishers are wrestling with. The 90-minute program could effectively substitute for live training sessions. And once the original fee has been paid, a company can repeat the program as often as needed, for multiple employees. http://www.minonline.com/training/

Example, Project Instructions: ReadyMade Kits, Plans – ReadyMade is a magazine that targets 20-something men and women who like making things for their homes. We’ve included a sample issue and media kit with this report. In an online store at http://readymademag.com/store/ the publishers offer kits, tools, and project plans that help readers construct specific projects. Prices range from $6 to $55 and most of these products are documented in the magazine.

Content Sponsored by Advertisers

Advertisers are happily supporting many different kinds of online brand extensions because every sponsorship links directly back to a sales lead or even a product sale. The outcomes can be measured precisely, as precisely as a banner ad, and the returns tend to be more productive because the products are so highly targeted.

Often, a publisher can ‘recycle’ content created in a different format into custom packages suited to the unique needs of specific advertisers. There are many different forms of sponsored content, ranging from custom Websites – created by a publisher to look like they belong to the advertiser – to contests, white papers, email newsletters, blogs, and podcasts. Email newsletters are the most common example, but podcasts are rapidly gaining in popularity. By one estimate, the podcast audience has already reached 18.5 million in the US, and that number is expected to grow to 65 million in 2012. US spending on podcast advertising is projected to grow from $165 million in 2007 to $435 million in 2012, according to eMarketer.com.

Nearly all US print publishers are earning some advertising income from email newsletters and other sponsored content. But more importantly, they are gathering more names to use for database-driven lead generation activities (described below). Some publishers are also using Internet technologies in ways that combine assets and reader loyalty from print properties with new Web applications.

Example, Using a Wiki to Create Ad Inventory: Food & Wine Across America – American Express combined the assets of two magazines, Food & Wine and Travel + Leisure by forming a strategic partnership with a handful of key advertisers for a Wiki initiative called Food & Wine Across America,
wiki.foodandwine.com. Visitors expand the content by making their own recommendations about places to see, eat, or buy food. Other elements of the site are drawn from the two magazines, including editor blogs and archival material. Another Amex initiative involved the sister television network, CNN and Travel + Leisure magazine in an advertiser-sponsored audience poll called America's Favorite Cities. Visitors to both Websites were asked what they like (and don't like) about 25 top urban destinations in the U.S. Results were posted at an ad-sponsored Website section www.travelandleisure.com/afc and also reported in the print magazine. “The poll provided a great opportunity to sell a seven-digit commitment from an advertiser we haven't done business with in a long time," said the Amex CEO.

With a site that is more consumer-oriented, lead generation can also be the best uses of these sponsored content opportunities. You get more names so that you can either sell those names to other vendors as qualified leads (Nokia, for example, pays $1 or $10 per customer that submits a video/participates in a survey), or you use them to generate sales for your own products. You need a strong database for the second use.

Example, Generating Business-to-Business Sales Leads: Internet.com White Papers – Internet.com http://www.Internet.com/ is a business-to-business IT site that posts hundreds of white papers, ebooks, Webcasts, ekits, tutorials, and demos sponsored by advertisers. Their online media kit explains all the options: http://www.Internet.com/mediakit/ and we have included a PDF of their media kit in our samples. Readers have to register to access the free content, providing their company name, address, and job title as well as email and phone contact information. Once a person logs onto the site, their contact information is provided to sponsors of the documents that they download, as a sales lead. Alternatively, under a different pricing scheme, sponsors can have their documents listed with a live link back to the sponsor’s Website – and handle the download directly. Either way, the sponsors are predominantly interested in collecting highly qualified sales leads from this process. We have included a sample Internet.com white paper, this one sponsored by HP.

Use Cross-Promotion

Once you build sites that draw traffic through the search engines – effectively meeting the consumers right when their information quest is beginning – you can use those sites as a platform to support books, magazines, events, and other businesses. You can also use your books and magazines to feed the Website traffic, and a perfect symmetry is created.

Macworld magazine actually tests article ideas on its Website before developing them for the print version. Working Mother Media quotes from comments posted to its online forums in its books, and HowStuffWorks relies in part on experts
who read and expand its articles. In fact, most American print publishers are also using Websites to gather consumer feedback that appears in print properties.

**Example, Masterful Cross-Promotions: The Motley Fool** [www.fool.com] - are experts at cross-promotion. The editors constantly appear on radio shows and TV interviews promoting their Website, books, newspaper columns, paid newsletters (with subscription prices ranging from $199 to $299 per year), and digital books selling for $69 or more. A conference business is launching next year. There are 2 million subscribers to its free email newsletters, and every product refers back to every other product. We’ve included one of their best-selling investment books in our box of samples to show how thoroughly TMF books help to promote the Website, and vice versa. This Teens book quotes heavily from participants in a TMF Teens and Their Money Website at http://www.teens.fool.com, and the book frequently refers readers back to that site for more information. It was written with a team of ‘Teen Consultants’ recruited through the discussion boards. And the editors launched an annual contest that grants $1000 to the best investing idea submitted by a teenager.

**Example, a Dedicated Cross-Promotions Team: Viz Media** - VIZ Media is a Japanese manga and anime content company, selling DVDs, books, and magazines to the US market. Viz recently reorganized their people to put one person in charge of “Product Marketing” and another person in charge of Ad Sales and Corporate Marketing. The Product Marketing Person is charged with maximizing cross product promotions. A Naruto character, for example, can be a toy, a DVD, a book, and a magazine. The items can be sold separately, and repackaged later as a group once the life cycle of the character winds down. The idea is to take advantage of the power of the character all along the life cycle, bundling as the product’s popularity wanes. We have enclosed some samples from Viz.

**Publisher Profile: HowStuffWorks, a Search-Driven Business**

Started as a hobby by a former computer programmer and college teacher named Marshall Brain, HowStuffWorks (HSW) has become one of the Web’s most popular destinations, reaching 12.5 million unique visitors per month. In 1999, HSW took on some private investors and expanded in many online and offline ventures in a quest to make money. The company tried an online toy store (that failed), radio and TV programming licenses (that succeeded), a line of books (that were best-sellers), syndicated newspaper columns (that draw traffic to the site), seven electronic newsletters (also driving traffic), and a magazine and teachers guide for middle school science teachers. Last year, the site was sold to Discovery Media for $250 million.

Discovery owns cable TV channels such as Discovery Channel and Animal Planet. In press reports about the acquisition of HSW, Discovery’s CEO David Zaslav said that his company’s attempts to build its own sites based on online
derivatives of its TV content had largely failed to draw visitors. Discovery plans to use HSW as the cornerstone of its effort to bring a vast library of video content to the Web. Now that HSW is owned by Discovery, Marshall Brain has started appearing on multiple science programs at the Discovery channel.

We have included a sample of one HSW book, the educational magazine, and a media kit for the Website in our samples package. Like all the HSW books, this one is based on technical illustrations of gear and gadgets, comparable to an encyclopedia. The HSW series has many imitators, including the Eyewitness books, which use photographs to deliver a similar graphic punch. These HSW books are perfect for helping kids with homework and science projects, and they’ve also become popular with adults. Note how frequently the book refers back to the HSW Website – almost on every page – helping to drive the site’s traffic.

**Publisher Profile: The Motley Fool, Masterful Cross-Promotions**

The Motley Fool (TMF) team sells content to readers, including a handful of investment newsletters priced between $199 and $299. But undoubtedly, the bulk of the company’s revenue comes from ads. Ad revenue growth was slow before 2002, and the Motley Fool struggled to stay in business. There were layoffs in 2001, and they briefly experimented with charging a monthly fee to access the site. This paid-access program was dropped in 2002 when Internet advertising finally started to bloom.

Today, TMF discussion boards generate a significant portion of the site’s total content pages. And visitors are invited to rate every single piece of information. The result is a site with maximum audience appeal, and a brand that travels everywhere. Monthly traffic is at 2.4 million visitors, and rising.

We think the key to their success is the strength of TMF’s offline efforts. There are 1 million Motley Fool books in print, and several of them were national bestsellers. The books were created and distributed in a partnership with Simon & Schuster, an established American book publisher. A weekly newspaper column runs in hundreds of newspapers and reaches millions of readers. And the site’s editors appear frequently on television and radio programs as experts. And the team plans to launch an events business next year.

We’ve also discussed the TMF practice of teaming up with search engine companies to provide free content on finance issues, and free access to millions of pages of TMF discussion board postings about individual stocks and companies.

Magazine Strategies

Nearly all print magazine titles are vulnerable to the shift of ad money from print to online. In most niches, publishers must find new revenue sources to replace declining sales in print. Generally, we recommend the following steps:

• Determine which are your strongest current advertisers and develop new sales ideas just for them. We’re recommending spin-off titles and many brand extension ideas to choose from.

• Develop reader-driven revenue sources for all magazines, and especially for those with the weakest advertising support.

• Create new magazines – or buy ones – in new, diversified markets that are growing strongly. We’re suggesting “green” as one idea.

• Use partnerships and outside vendors to quickly build new capacities, rather than staffing up for new activities.

More Revenue from Current Advertisers

Some of your current advertisers have the potential to spend more with your company if you can give them more places to advertise. We recommend analyzing the current advertiser base to determine where the greatest growth potential can be found, and then adding titles to capture those revenues. To illustrate this idea, we considered a hypothetical publishing company that produces both B2B and high-end consumer magazines about digital photography. What follows are the examples we would show to that publisher.

Example, Ads in Reader-Generated Digital Photo Content: JPG Magazine
http://www.jpgmag.com - JPG magazine is both a digital and print product. The content from JPG is 100% generated by users, amateur and professional photographers of exquisite talent. The users do all the work—they take the photos, upload them, and vote for the best ones. If a submitted photo receives enough positive votes from other users, then it will appear in a suitable themed issue of the magazine, which sells very well through US retail outlets.

JPG has a very high sell-through on the newsstand (readers are also the same people who upload their own photos—they
are thoroughly “engaged,”) boasts of advertising from the camera world and also from non-endemic ads, has a high subscription price ($50 for 6 issues) and costs very little to put together.

Here are first two pages of Jpg’s digital version:

Example: Photography Ads in Magazines on Other Subjects: Audubon – www.audubon.org having been in print for over a hundred years, Audubon is the exact opposite of JPG, hiring the best writers and photographers to cover the natural world. Audubon publishes six issues per year and paid circulation numbers 400,000. Ad revenues grew by 29% last year, from $9 million to nearly $12 million. The magazine carries many ads from photography and technology companies, as well as autos and other consumer products.

Example, Creating Additional Ad Options: Popular Photography – www.popphoto.com exemplifies fully expanded brand extensions in the photo niche, including events, online transaction commissions, newsletters, custom publishing, college editions, podcasts, blogs, contests, research, and a Website that gets 850,000 unique visitors per month. While print ad revenues fell by 2% last year, the publication managed to grow by developing these alternative online platforms.

Brand Extensions for Growth and Diversity

Brand extensions help a publisher capture more of the available ad dollars in those markets where it already holds a leadership position. Ideally, publishers can
combine forces with books and Websites for developing these new product lines. Well-executed brand extensions also add value to the company.

**Live Events**

Live events come in many forms. What they have in common is that advertisers pay most of the costs. One publisher told us that it took two years for some events to break even, but that profit margins are high and growing, once the event becomes a ‘must do’ program within the niche. Events can further enhance your print and online products.

Start by interviewing your top advertisers to find out what events are most appealing to them. And remember that events can include Webcasts as well as face-to-face meetings. And finally, get whatever help you need to ensure that the events are immediately successful, or else you risk damaging your reputation with important customers.

**Example, Travel Events: MacMania Cruises** – Facing a decline in print ad revenues, *Macworld* recently entered the cruise business, trading on the popularity of its trade show, the Macworld Expo. *Macworld* MacMania cruises are ten-day Caribbean cruise that includes 40 hours of classes and 16 hours of access to one-on-one technical advice from *Macworld* editors and other technical experts. Attendees pay from $2,750 to $6,050 per trip, and sponsors heavily subsidize them, leading to wide profit margins. The cruises are operated under license to a third-party cruise vendor, Insight Cruises; *Macworld* plans the program and sells the sponsorships, while the vendor handles everything else. The same arrangement governs the Macworld Expo, which is a joint effort between the magazine and a sister group, IDG World Expo.

**Example, Teaching and Travel Events: Digital Days and Mentor Travel Series** – *Popular Photography* magazine offers photography training to consumers in both classroom settings, and combined with travel experiences. The Digital Days programs take place in hotel conference rooms, while the Mentor Series offers people the opportunity to take a tour hosted by a professional photographer. Advertisers sponsor both programs.

**Example, “Live” Virtual Events: Digital Photography Webinar** – this example is produced by a photography teacher, unrelated to any of the magazines. http://www.wisconsinphotos.com/Webinar.htm. But it demonstrates what a magazine publisher could offer, featuring its editors or contributing writers. Participants paid $40 each to attend this Webinar – and there were no advertisers or sponsors.

**Example, Live B2B Conferences: IDG Forum eTime** is a two-day conference on electronic business and telecommunications in Prague in May 2008. Registration is 2500 for individuals. Sponsors also pay. http://www.forumetime.cz/ IDG has also created a Green Exchange Expo
http://www.greenxchangexpo.com/live/50/ which they describe as “a world-class clean and green technology Exposition and Global Marketplace Conference that brings together private and public market makers who buy, manufacture, sell, finance, endorse and legislate green technologies, products, innovations and sustainable services.” The first one was held in December 2007, and a second one is scheduled for October 2008. A list of the past sponsors is online here http://www.greenxchangexpo.com/live/50/TB796668//SN421333. This event is a collaboration between IDG, which has the event management expertise, and VerdeXchange http://www.verdexchange.org, an environmental think tank and publisher which has the content expertise.

**Example, Live Consumer Conferences: O’Reilly Media Maker Faire** – IT book publisher O’Reilly decided to start Maker Faire http://makerfaire.com/ a year after they launched their first print “mook” MAKE. We profile O’Reilly Media and say more about the birth of MAKE magazine in the book section below. MAKER FAIRE was O’Reilly’s first consumer event. It has given MAKE and CRAFT magazine a wonderful outlet for engaging with their readers. The event is already profitable, and reaches MAKE, CRAFT readers and technology geeks in Austin, TX and in San Mateo, CA, close to Silicon Valley.

O’Reilly expected 5,000 people to attend the first MAKER FAIRE, but instead, 20,000 people came to see the robots fight, to watch static electricity in action, and to make funky clothes out of their old T-shirts and skirts. The second year, 40,000 people attended, many of them entire families. Sponsors of the 2nd MAKER FAIRE included Microsoft. The event has changed the orientation of Make magazine from one edited primarily for single geeky men to a family magazine about creatively interacting with technology. MAKE has over 1 million unique visitors per month at their Website (makezine.com) and sales of the magazine in print and digital formats continue to increase.

Overall, O’Reilly Media makes about 25% of its revenue from events. “Events are risky,” says O’Reilly’s creative director, Dale Dougherty. The company launched Web 2.0 two years ago because they perceived an opening in the IT conferences market. And this event has been very profitable because IT professionals enjoy meeting in person to share knowledge about what was changing on the Web.

**DIGITAL EDITIONS OF MAGAZINES**

Magazine publishers in the US are successfully expanding ad revenues by selling digital versions of their print magazines. The circulation audit bureaus in the US have agreed to count digital editions the same as printed ones, allowing publishers to expand circulation – and advertising prices - without adding to the print bill. Readers are often offered a digital subscription or single issue at a discounted price.

Digital subscriptions to your magazines will make them available worldwide and to those who are not currently inclined to buy print magazines.
Ads in digital editions are ‘live’ because they link to the advertiser’s Website. And the ads can incorporate video and other rich medium formats, making them extremely popular with some advertisers. We call your attention to Winding Road, www.windingroad.com, a digital car magazine that exists only in digital format, not in print. Take a look at the ad on the inside front cover of Winding Road’s March issue to see what advertisers can do in a digital magazine http://magazine.windingroad.com/windingroad/200803Web/?folio=190. The ad links to a video at the advertiser’s Website. The Winding Road media kit explains how these ads are priced: http://www.windingroadmediakit.com/

Nearly all of the magazines we profile in this report offer digital as well as print subscriptions. For example, Popular Photography offers to deliver 12 issues to a subscriber’s email inbox for $10 and to deliver 12 issues in print to the home for $14. The magazine has 300,000 print subscribers and only 3,000 digital ones. But the advertisers are paying for both.

For many other examples of digital magazines, go to the two leading US vendors for this format, www.zinio.com or www.texterity.com.

We recommend that you explore this idea with some of your top advertisers and implement digital magazine issues where the interest is greatest.

**DIGITAL SPECIAL ISSUES**

Magazine publishers are also squeezing more ad revenue from their best advertisers by pulling together selected content into customized digital editions. As with events, you should start by talking to your best current advertisers to learn what kind of digital editions most appeal to them. You can also use digital editions (which are cheap to produce) to test the interest of new advertisers.

**Example, Digital Special issues: Macworld SuperGuides** – Macworld covers Apple’s complete product line, from computers to iPods. This means that the magazine sells ads for a wide range of products. In order to get more revenue from existing advertisers, the editors created digital books targeting people who might only own the iPhone, or the iPod, with more in-depth information about using that product. By focusing on only one application, each super guide becomes a new, must-have advertising opportunity for a small group of advertisers. The list of Macworld’s current SuperGuides includes: Total Leopard, Digital Photography, iPhone, Apple TV, Mac Basics, iPod and iTunes. Each guide comes in downloadable PDF format for $12.95, and in print or CD-ROM formats. All of them include ads with live links, making click-through results directly measurable for advertisers.

**ONLINE TRANSACTION REVENUES**

Nearly all of the magazine publishers we studied have expanded revenues by earning some form of commission revenue from online product sales. We covered
this topic in the Internet Strategies section. And we provide vendor information in the Appendix.

**DATABASE PRODUCTS**

Publishers profit from databases in two ways – first, by selling their own spin-off or add-on products to current customers and second, by helping advertisers generate sales leads from the publishers’ customer base.

We know that the EU has stricter privacy laws, which have an impact on how much customer data a publisher can collect, and how that data can be used for commercial purposes. Still, we decided to include information about database activities at US publishers because this has become such a rich revenue source for some of them. For example, one client earns 85% net profits on a list rental business, which involves allowing advertisers to use the publisher’s customer database for promotions. Any small part of this business that you can adopt will add value to your company and cohesion to your own marketing efforts.

**Example, a Database-Driven Business: IDG Connect** - IDG has aggregated more than 6 million names from databases around the company into a single operation called IDG Connect. Step one in building the Connect property was to get permission from all 6 million magazine, book, Website and events customers. With its recent purchase of online network ITworld.com, IDG gained additional names of several hundred thousand senior IT professionals. The plan is to create a database business to generate revenue streams directly, promoting white papers and Webcasts and newsletters and other products directly to those people who have demonstrated an interest. The database also allows advertisers to select highly targeted audience segments. "Now you can buy the audience vertically by brand or by audience," says IDG Connect’s CEO, Bob Carrigan. "We used to think of databases in terms of circulation databases that drove magazine subscriptions. In a way, the tail was wagging the dog, because now we're using print magazines and Web sites to create databases, and the databases in and of themselves have unique revenue streams." Events, magazines and online products will all funnel customer names to the database development effort. "The constant theme is connecting directly with users," says Carrigan. "Events and online lead generation look very similar to each other in that regard. Those things feed off each other. You create databases that can help you promote events, and once you create those events they help create new user pools for other IDG products."

**CUSTOM WEBSITES, NEWSLETTERS OR MAGAZINES**

Custom publications are created for a specific product or company to build loyalty or to educate customers about using the company’s products. Most of these private-label e-letters, Websites, or magazines do not carry ads from outside companies, but some of them do. And when outsiders are allowed to advertise, it’s common for the owners and custom publishers to split those revenues. Some custom publications are delivered in print and others are created as Websites, newsletters or digital magazines.
Example, a Leading American Custom Publisher: Sunset - Sunset magazine is owned by one of the largest publishing companies in the US, Time, Inc, and nearly all Time Inc properties provide custom publishing services, which are separate divisions, staffed by professional editors and designers who build magazines that gently market products and services to a specific group of consumers. For example, many banks have private label magazines, created through a custom publisher, to encourage more business from current customers. Sunset’s custom publishing services are detailed here: http://www.sunset.com/sunset/Web/custompub/home.html.

Sunset magazine covers food, gardening, home improvement, and travel, and its custom publishing sales team targets companies in related businesses, including grocery stores, home improvement retailers, luxury autos, resorts, and other high-end products and retailers.

Example, Digital Custom Publishing for an Online Retailer: Organic Style – going digital is a cheaper way to reach audiences for companies looking to enhance their brand, build lead generation, and sell their products online through a custom digital publication or Website. For example, Organic Style www.organicstylemag.com is a custom digital publication published by Next Steps Marketing for Organic Style Ltd. Organic Style hired Next Steps to produce an “earth-friendly” digital magazine showcasing their partners, their products, and their non-profit endeavors.

Moving to Faster Growing Niches

When growth rates decline in mature markets, publishers keep growing revenues by exploring new markets. Capabilities developed in one niche are applied to the new one. And sometimes, publishers get into the new niche by acquiring a smaller player already operating there.

Picking markets poised for a sustained (10+ years) growth spurt is key to a successful niche migration. In particular, we want to look for new niches with the following characteristics:

- Readers who have an urgent, persistent, and compelling need for information, and the willingness to pay for it. For example, the movement of computers out of MIS departments onto the desktops of untrained office workers fueled the growth of personal computer magazines – people needed lots of help mastering the new technology.

- Entrepreneurs are actively generating new products and there are many companies competing for a share of a growing consumer market. For example, when the US switched from company pensions to self-directed retirement investing, thousands of new mutual fund and investment
advising firms sprang up to compete for a share of that business, and personal finance magazines still thrive on those ad dollars.

The fastest growing magazine advertising categories in the U.S. are organic foods, environmentally friendly household products, and natural cosmetics. All of our examples are capitalizing on the growth in products for ‘green’ and ‘healthy’ lifestyles. As it says in the media kit for National Geographic’s new title The Green Guide:

Our audience is made up of careful, information-seeking consumers who are making green-aware purchasing decisions across a wide number of product categories. “Conscious” consumers are a significant power in the market—with purchases in 2006 of $208 billion for goods and services that relate to health, the environment, personal development and sustainable living.

Another publisher describes the green market this way:

The market for health, wellness and sustainability is over $200 billion in goods and services, comprising anything from hybrid cars to eco-tourism. A subset of that is the organic products sector. The Organic Trade Association (OTA) estimates that the sales of organic goods are growing at 20 percent per year, reaching sales of $12.2 billion in 2004. The largest component of this market is organic foods, comprising 96 percent. Studies indicate that at least 39% of the U.S. population buys organic products. OTA forecasts that growth will remain strong with the increasing availability of organic products through such fast spreading retailers as Whole Foods Market, Wild Oats and now Wal-Mart.

We found many new launches with diverse editorial missions that are successfully tapping the market for ‘green’ product ads.

Example, a Celebrity-Based Path to Growth: EveryDay with Rachel Ray (EDWRR) - This is a magazine built around a television personality who had three Food Network television shows airing 27 times a week and 11 cookbooks when she teamed up with the Readers Digest company to launch her magazine. The first issue was published in September 2005 with national distribution of 350,000 and a newsstand price of $3.99. It began as a bimonthly, converting to a monthly in 2006. Heavily supported by the direct marketing expertise of Reader’s Digest, and cross promotion with Ms. Ray’s ongoing television presence, magazine circulation jumped 67% in 2007, reaching 1.7 million by year’s end, faster than any other title in the same period. Ad revenues grew from $20 million in 2006 to $78 million in 2007, making this the fastest growing title in the US last year for advertising revenue.
EDWRR deliberately reaches out not only to food, but also to other advertiser categories by including editorial coverage about travel, entertainment, and health. Consequently, Readers Digest is able to sell ads in EDWRR for non-food advertisers who are also advertising in the parent magazine, including autos, clothing, credit cards, retailers, and travel categories.

**Example, a Mom-Friendly Approach to the Same Topic: Cookie** – Also aimed at tapping the growth in ad spending for food, cosmetics and other natural products targeting young mothers, this magazine is owned by Conde Nast. The circulation is 500,000 and readers are very similar to the women reading Working Mother, which we profile at the end of this section: 86% female, 73% married, and 81% employed. Cookie sells for $3.99 on newsstands and $12 for a 12-issue subscription. In addition to food and cosmetics, it appeals to retailers, media, and technology advertisers. Ad revenues nearly doubled last year, from just under $20 million in 2006 to nearly $40 million in 2007. And there are other revenue sources, too: an online store www.coolcookie.com, events, contests, and the Website www.cookiemag.com. Readers are invited to submit photographs, projects and recipes.

Like all Conde Nast magazines, Cookie is used to cross promote other titles that target a similar audience. You will find subscription cards for Self magazine inside cookie. And all Conde Nast advertiser media kits are posted at one Website: http://www.condenastmediakit.com.

**Example, Another Mom-Oriented Version of Green: Mothering** – Subtitled, The Magazine of Natural Family Living, Mothering is another mature publication that is currently riding the crest of the natural products boom in advertising. First launched in 1976 as a magazine and book series, Mothering languished for decades. While other parenting magazines were bursting with ads for minivans and microwave ovens, Mothering was bravely hanging onto its natural, conscious-consumer stance. But the growth of the Internet – as well as the consumers’ new thirst for naturalness – has boosted Mothering’s fortunes. Its Website draws 1 million unique visitors per month, and the advertisers are following those readers into the pages of the print magazine, conferences, sampling programs, and digital editions. www.mothering.com

**Example, a Consumer-Oriented Approach to Green: Plenty** – launched in 2004, Plenty www.plentymag.com was also created to capitalize on the ‘green’ advertising boom, but this time for a mixed audience of men and women. Plenty promises paid circulation of 200,000 for 2008 and it will publish six issues. The editors describe readers this way:

> Our readers care about quality and style and look for good value. They are male and female, geographically diverse, and of all ages, from college students to retirees.
Example, Taking a Trusted Brand into New Markets: *The Green Guide*, from *National Geographic* – *The Green Guide* www.thegreenguide.com started out as a newsletter in 1994 and then morphed into a Website that launched in 2002. The site already had a strong presence online when *National Geographic* acquired the business in March 2007. The first print issue just hit US retail stores this month (March 2008) with 300,000 copies going onto newsstands, and another 50,000 copies going for “Subscriptions, cross-promotions with other NG products, platforms and Public places copies: Conferences, product expos, convention” according to the media kit. The magazine also comes in a digital edition, powered by Texterity. And advertisers can sponsor newsletters, in addition to the Website.

Example, Taking a Niche Title Into the Mainstream: *Yoga Journal* – *Yoga Journal* (www.yogajournal.com) is the largest-circulation yoga magazine in the country. The magazine was founded in 1975 and run for decades as a sleepy niche title mostly for yoga teachers, but it was acquired by a group of magazine-savvy investors planning to capitalize on the growth in health-related ads. The investors revamped the magazine, invested in a strong Website, and expanded distribution from under 100,000 to over 360,000. *Yoga Journal* also holds several conferences a year, including its annual Colorado conference. It also produces many best-selling yoga books, videos, and DVDs. In September 2006, the magazine was acquired by Active Interest Media, a conglomerate consumer enthusiast media company adept at extending magazine brands beyond the page. *Yoga Journal*’s media kit shows the multiple platforms it offers, including custom publications, sampling events, custom DVDs and podcasts, and international editions.

Between them, these six magazines prove that a fast-growing niche can sustain several publications, so long as each one has a clear idea that is executed well.

**Adding Value Through Horizontal Mergers**

The publisher who holds first place with readers and advertisers in its niche sometimes grows revenue in a shrinking market by acquiring weaker competitors.

The key is to accomplish mergers that add strategic capacity for the buyer – such as a stronger sales force or superior Web capabilities – as well as eliminating a competitor or preserving market share. Every niche market leader should consider whether there are any potential deals like this for them.

Example, Shrinking to Fit the Ad Market: *Macworld and MacUser* - *Macworld* was launched in 1984 by IDG, which also launched the Macworld Expo. In 1985, Ziff acquired US publishing license for a UK magazine called *MacUser* from Felix Denis. Both magazines thrived for about a decade, along with a handful of much smaller competitors, but the Mac market had considerably changed by the late 1990’s. Throughout 1996 and 1997, publishers were dealing with low subscriber growth rates, and a drop in advertising pages caused by the reallocation of Mac marketing dollars to other products and consolidations among
companies selling Mac-related products. Faced with a dwindling Mac user base and shrinking ad dollars, IDG and Ziff combined their publishing efforts in the fall of 1997.

The two publishers operated a joint venture for about five years, until IDG bought Ziff’s share in 2001. Today, the magazine is published in many countries, either by other IDG subsidiaries or by outside publishers who have licensed the brand name and its content. These editions include Australia, Germany (Macwelt), Italy, Spain, Sweden (MacWorld), Turkey, and the United Kingdom. Its content is also incorporated into a number of other IDG publications. In additional to publishing a monthly print magazine and the Macworld Expo, Macworld also operates numerous Web sites, including Macworld.com, Playlist, MacUser.com, and Mac OS X Hint.

A Cautionary Note: The Apple Dilemma
The Apple computer company has transformed itself into a multi-dimensional entertainment enterprise through iTunes, iPhones, and the iPod. You might expect that the Mac magazines would be able to attract ads from music and film companies and other entertainment producers – and we have watched the Mac magazines redesign themselves with that hope in mind. Each magazine has added music and DVD reviews, departments about making home videos and digital photography, and mobile applications for the iPhone. But none of these magazines have yet been able to persuade advertisers outside of the computer industry to support them. Readers are equally unresponsive, and readership is falling for all Mac computer titles.

Preserving Profitability by Going Web-only
Struggling print titles can depress the total value of your company – something no independent publisher can tolerate. Action is always required when a magazine is not meeting its growth or profit expectations.

Several US print magazines have responded to the online flow of readers and ad dollars by becoming Web-only magazines, especially those that serve the 18-to-24-year-old male readers who now use the Internet to get most of their information. The move is proving successful at generating new kinds of ad revenue because many advertisers who were reluctant to continue supporting circulation-based advertising have been willing to pay for measurable audience results they can get online.

Example: Infoworld – Infoworld was one of the first US computer magazines and experienced many ups and downs over many decades, www.infoworld.com. In recent years, Infoworld has been struggling to recover from declining print advertising revenues, and in 2007, the publishers finally gave up on print and went Web-only. We note that several other US publishers have made the same move, particularly business-to-business publishers. In addition to saving money,
the move allowed a change in focus for *Infoworld*. Paul Calento, SVP Marketing explains:

> We cast a wider net now. It used to be that all of the advertising business was dependent on our larger accounts. Now we focus on everybody else by selling sponsorships to topical podcasts. What people buy now is not the “unique selling position,” but rather our ability to differentiate among audiences by topic. We made $1M in podcasting sponsorships last year alone.

All of *Infoworld*’s online sponsorship sales follow the same strategy of selecting audiences by topic, and the list of advertising options includes white papers, Webcasts, podcasts, eNewsletters, customized microsites, and articles repackaged into something called Executive Guides. In all cases, *Infoworld* resells content over and over again to different sponsors, reusing the publisher’s intellectual property multiple times in different formats. The result is a 34% net revenue growth on top of a tremendous cost savings from abandoning print. Calento described the transition, saying:

> The ad sales team needed help making the shift from print to 100% Web-based. Editors did too, because the Web is a very unforgiving environment – everything happens very fast. The trick is to create reader enthusiasm with your content because advertisers are constantly watching how audiences respond, and measuring immediate results.

**Publisher Profile: Working Mother, A Multi-Platform Brand**

*Working Mother Media* is our primary example of a thoroughly integrated, multi-platform American consumer magazine brand. It demonstrates how a publisher can build a buffet of products around a single magazine title. *Working Mother Media* (WMM) encompasses *Working Mother* magazine, the National Association of Female Executives (NAFE) the Working Mother 100 Best Companies and the Working Mother Best Companies for Women of Color, along with a Conferences and Events Division. A small collection of books have been published “from the editors of *Working Mother* magazine” including ones on time management, cooking, and career advice.

The company offers a full complement of marketing partnership programs for corporate partners addressing specific target audiences, including print, custom publishing, broadcast, and on-line media; national, regional and customized conferences and events; and a membership association for women in business.

**Events** include the 100 Best Companies WorkLife Congress, the Best Companies for Women of Color Conference, and Balance Seeker and Town Hall meetings,
plus a Working Mother Best Small Companies and Entrepreneurial Mom Awards covering companies of less than 100 employees.

**Magazine:** Annual print ad revenues topped $33 million in 2007, up about 7% from the previous year. This figure does not include revenue from events and online ads. The magazine content is arranged in three broad sections (see the media kit): You, Work and Family. Editors are careful to include ‘stay-at-home’ moms as well as those who work outside of the home. But audience data suggests that 71% of readers are employed either full-time or part-time.

**Books:** Created in a partnership with outside book publishing companies, the WMM books have been inexpensive to produce. They sell in retail bookstores, and help to drive readers toward the magazine and its Website.

**Company Profile:** Working Mother Media is privately owned, and we do not have access to its financial records. However, the CEO was recently profiled in the media:

"We build platforms around topics that we know our readers care about and we know our companies care about," says WMM CEO, Carol Evans. "Something that has real legs for our audience, and then we make it work for research, events and the magazine."

As the producer of only one actual magazine title, Working Mother relies on these franchise platforms, which include Web initiatives and a huge number of events, to bring in revenues and build the company's brand recognition throughout the industry.

The franchises are large revenue streams for the company, says Evans. The 100 Best Companies has a $2 million conference and a $2.5 million print issue attached to it, while the Women of Color initiative involved 34 events in 14 markets. The initiative is also set to go global, reaching Brazil in August with plans to hold a Bangalore, India, event in 2008. The law firm and green company projects will achieve that same level of success, says Evans.

"The Best Law Firms for Women initiative generates revenue in a couple of ways. We sell advertising in the magazine and then we have our big luncheon where the law firms buy tables," she says. "Then the firms pay for the benchmarking research." Evans says the luncheon is likely to be converted into a conference in 2008.

Evans hopes to grow her business through acquisitions, whether in the events space or the print space. "We built our company from scratch and now that we have these initiatives we can tuck things into those or apply our methodologies to other companies we buy."
Online revenue comes from advertising, and also from a bookshop (through a third-party online bookseller) that carries books selected by the editors and arranged in categories identical to the magazine’s subject areas – You, Work, and Family. The WorkingMother.com Website has many features designed to build ‘stickiness’ including expert blogs, message boards, reader-submitted content, audience polls, phone-in audio conferences, and a searchable database of the previous 100 best companies contest winners. The Website effectively cross-promotes events, books, magazine subscriptions, and every other WMM activity.

**Book Strategies**

Really, publishers need two different book strategies: one for subjects already impacted by the Internet, and one for books on more durable, timeless subjects and pastimes. Tech book readers are most likely to switch to the Web as a primary information source because the information they need requires frequent updating. Travel readers are also switching to the Web as a primary source for similar reasons – and travelers enjoy being able to link directly to schedules, reviews and booking services. We looked at O’Reilly and Lonely Planet as model publishers in this group.

But the Internet is not likely to become a primary source for many subjects, including those that simply work best on paper, such as children’s literature, how-to subjects that rely on illustrations, and image-rich subjects like art or nature. For these subjects, people may increasingly use the Internet to help find the books they need, but they will always prefer reading on paper, most likely. We looked at Nolo as the model for this kind of book.

Here are our general recommendations for book publishers:

- Use search more effectively by promoting your non-fiction and how-to books through subject-oriented micro Websites like the Nolo and O’Reilly ones we profile here.

- Capture new revenues from existing assets by exploring new formats, product bundles, and promotions.

- Extend your relationship with readers by developing events and other spin-off products.

- Develop custom books and strategic marketing alliances.

- Adopt state-of-the-art Amazon-like cross-promotion, reader feedback, and customer ratings techniques for your online bookstore.
Capitalizing on Strong Search Rankings

General interest books that cover a broad range of subjects are not good candidates for search-based marketing because the Web appeals to special interests. Many publishers overcome this dilemma by creating interlinked Websites, one for each important subject area. This tactic vastly improves the odds that all books will rank high in search results on any topic. Some book publishers have managed to create so much content for their book sites – and build so much highly interested traffic – that advertisers are also buying into them.

MICROSITES

The basic strategy is to group together all books on a specific topic, add articles, book excerpts, author blogs, newsletters, and other Web-only content on that topic, and use the new ‘microsite’ to obtain high search rankings. These sites also help to promote related niche content products like magazines and Websites. It’s also possible to sell ads on these sites, in some cases.

Example, Microsites Promoting Add-on Sales and Ads: Nolo.com

Nolo developed its book company site into a content destination that ranks highly with the search engines. Because of the resulting search-driven traffic, Nolo has been able to develop a paid directory listing for lawyers across the country, each one paying between $1000 and $4000 per year to be included in the directory. The company employs 20 people to sell these directory listings, and the business will breakeven after less than two years. Details are here: http://lawyers.nolo.com/attorneyinfo.cfm

In fact, all three of the book publishers we’re profiling – Nolo, O’Reilly, and Lonely Planet – have added some kind of advertising on their content-based microsites.
In this Nolo example, you can see the lawyer directory ad button on the right hand side of the page. Nolo reports $1 million per year in book sales through search traffic. These sites have also proved very effective for promoting add-on sales because experience has shown that people who wind up in an online bookstore after searching for how-to information often buy more than one item, if given the chance. Notice the cross-selling and add-on promotions on the right hand side of this Nolo microsite about patents.

**Networked Microsites, With Ads**

O’Reilly created thirteen separate microsites on IT subjects and links them together in a Network: [http://oreillynet.com/](http://oreillynet.com/) The Network home page has news, and lists all of the individual topic sites. Each topic site has articles, blogs, podcasts, and news items on that topic – plus button and banner ads for the O’Reilly books on that subject, and newsletters about it. There are a total of 3 million unique visitors to the network every month, and O’Reilly sells ads against that traffic through an outside ad server network. Searching on any of the network sites finds content from all of them. For example, we searched on the word “google” at Oreillynet.com and got over 10,000 results that included the company’s print and digital books, articles from a handful of network sites, author pages (including their blogs), Web 2.0 conference documents, and information
about classes in O’Reilly’s technical study programs. Clicking on any one listing brings up a handful of promotions for other O'Reilly products on that topic.

As a traditional book publisher, O’Reilly had no advertising sales experience when it launched MAKE magazine. A publisher was hired, and there is a team dedicated to selling print ads in the magazine. But instead of developing its own online ad sales effort – and event sponsorship sales when the Maker Faires were created – the company hired a vendor called Federated Media (FM) http://www.federatedmedia.net/ to manage that business for them. We profile Federated Media later in this report.

**Adding Content to a Publisher’s Site**

Transforming your book publisher’s site into a destination site also helps to maximize search engine visibility. This option is the one most commonly used by publishers who have a deep presence on a single topic and can build a Web destination by adding reader input, author blogs and other content to build a strong destination site for that topic.

**Example, Focusing Deeply on One Subject: Lonely Planet for Travel**

Lonely Planet (LP) also sells ads on its Website, which covers hundreds of destinations. The site provides articles, blogs, podcasts, and excerpts from LP books for every destination. We searched the site for the word ‘Berkeley’ and turned up nearly 100 short pages of articles, reader comments, or blog postings about Berkeley, each one loaded with revenue-generating keyword ads, banners and product promotions. But more importantly, if you search Google on a phrase like “travel Japan” the odds are very good that a LonelyPlanet.com page will rank among the top ten search results. That’s how the site get 4 million unique visitors per month. Lonely Planet advertising information is provided here (LINK).

**New Revenue from New Formats**

All of the US book publishers we studied are busily developing new format ideas for books, especially ways to use the Internet to reach new audiences, or to get incremental sales from intellectual property assets. Digital products can be delivered to readers across the world. And they lend themselves to the kind of add-on and spin-off purchases that boost profits.

The move to digital has been especially pronounced among the IT publishers, who were facing serious problems selling their books in retail outlets. We think every niche book publisher should consider digital options for some books.

**Digital Books**

Digital books are projected to become extremely popular, whether you read them from a computer or on a dedicated ebook reader. Ebook technology is becoming affordable with Sony’s eReader and Amazon’s Kindle, a new e-reader for $400 that sold out almost immediately. Consumers seem to see the value of electronic
paper instead of print. The advantages to ebooks are: they are less heavy than books, you gain immediate access to material (in Kindle’s case, you don’t even need to synch up to a computer), and you get the same portability as a print product. Currently the technology is only for black and white products, so books are ideal.

And with high speed Web access, any PC user can download digital books in PDF formats that rely on software that is free to users.

Other advantages to digital books for publishers are: no printing necessary, no back stock, ease of updating the material, and the possibility of selling a series of books using a subscription model, as described below.

Example, Digital Editions Overtaking Print in Specialty Subjects: Nolo offers all of its books in digital formats. They found that going digital allows the publisher to avoid taking books out of print, even though the subject matter is too specialized or narrowly focused. The average E-book share of total sales is 33% for all Nolo titles, but 50% or more of sales are electronic books for some of Nolo’s most specialized topics, such as intellectual property law and patents. And for the last few years, bookstores have refused to carry these inventor-oriented books because the audience is too small, even though readers are extremely interested and eager to obtain them. Nolo is able to keep readers buying by offering them downloadable versions of these titles.

Example, Digital “Slices” of a Book: Lonely Planet’s Pick and Mix Chapters – Recently, Lonely Planet started selling individual chapters from some of its guidebooks, for a few dollars each. Many destinations are being added to the program throughout 2008. Here is a New York Times article (LINK) about this new Lonely Planet business, and other digital book excerpt ideas.

See one example here:
“Subscription” Books

Years ago, O’Reilly Media started selling a digital subscription to their computer technology books – mainly to institutions – through a service called Safari Books Online. In turning to digital books and selling them as a series by subscription, O’Reilly rid themselves of the problems of holding inventory, of having to re-sell a product each and every time, and of books aging. Tim O’Reilly writes,

When we set out to get our books online, we exploded the notion of "book," and built a Web service that truly harnessed the power of the Web to bring users exactly the information they need. Our Safari Books Online is a Web-based subscription service that offers a searchable reference library of computer books from O'Reilly, Addison Wesley, Microsoft Press, and other leading publishers, at safari.oreilly.com. Safari Books Online is a joint venture with the Pearson Technology Group.

O'Reilly has bought into online to the extent that they no longer print a book catalog for their hundreds of book choices. Instead, you can go online to http://www.oreilly.com/store/publisher/oreillycomplete.html and search by ISBN, author, title, or topic. The search will come back not just with books in the category you are looking in, but also with any other information O’Reilly might have access to on their sites regarding that topic. For example, O’Reilly publishes downloadable PDF articles and technical white papers for prices ranging from a few dollars to a few hundred. See below for “iPod” example:
AUDIO AND VIDEO PRODUCTS

Some books might be well suited to audio and even video interpretations that can sell digitally online. There are several versions of this idea operating in the US, ranging from actors reading books aloud to learning DVDs for babies. All are available directly through the publishers’ Websites – which also offer articles and other information – or through online retailers like Amazon.

Example, Video Learning for Children: Baby Einstein – a ten-year old line of video products designed as interactive tools for parents to use with their babies. Since the debut of the very first title, Baby Einstein videos/DVDs were developed with the idea of creating a “digital board book,” allowing a parent to have two free hands while enjoying and experiencing the video with their little one – leaving their hands free to clap, point to objects and interact with their baby. These products currently sell briskly through Amazon, Disney, and other online outlets. They’re not yet available as downloads. www.babyeinstein.com

Example, “Live” Storytelling: Tall Tales Audio – a new line of award-winning CDs and MP3 downloads of actors reading kids stories. www.talltalesaudio.com. The site also offers podcasts, blogs, and articles with tips for parents and librarians about storytelling. A 50-minute story costs $15.95 on CD and $10.95 as an MP3 download.

Creating Brand Extensions in New Formats

We’ve looked at many different brand extensions in the magazine strategies section, earlier in this report. The same ideas are applicable to popular book lines.
creating live events, Webinars, newsletters, magazines and other products custom-tailored to the interests of a specific book audience. Any popular book lines are candidates for brand extensions that take the customer relationship beyond a single sale of a single book.

**Mooks: A Magazine/Book Hybrid**

*M*AKE is a magazine-book hybrid, or “mook,” a high-priced book-sized periodical publication with magazine-like graphics and paid ads. It targets guys with a passion for gadgets and the skill to create their own inventions. The concept of the mook comes from Japan, where they serialize book-sized cartoons, or manga. O’Reilly was looking for a medium to reach a consumer audience with their DIY information for technology geeks. The medium that seemed to fit the best was the hybrid mook. It allowed for colorful graphics of the steps necessary to make the projects, and pictures of the outcome (monorails in your back yard, for example) along with the slightly insane people who made them. Quoting from the *MAKE* media kit:

*MAKE* has quickly become one of the hottest reads for tech enthusiasts, backyard scientists, hobbyists and basement inventors. A quarterly project-project based magazine, *MAKE*’s mission is to unite, inspire, inform and entertain a growing community of highly imaginative and resourceful people who undertake amazing projects in their backyards, basements, and garages. We call these people "Makers."

*MAKE* and makezine.com have been prominently featured in virtually every major North American newspaper and magazine - including The Wall Street Journal, Rolling Stone, Forbes, BusinessWeek, The New York Times, NewsWeek and The Washington Post. *MAKE*'s editors - including Phil Torrone, blog maestro of makezine.com - have been featured on CNN, CBS News, The Tonight Show and have made numerous appearances on NPR, TechTV and MTV.

Two years after launching *MAKE* (which is mostly for men), the company launched *CRAFT* magazine for women. *CRAFT* further extends O’Reilly’s brand to female do it yourselfers who enjoy mixing traditional craft materials with LEDs, and other bits of technology.

Both mooks are highly successful products with high cover prices ($15 on the newsstand) and high subscription prices ($35/year for 4). Their success has translated well to the Web, where makezine.com attracts over 1 million monthly visitors. They have also infiltrated some non-traditional retail outlets like hip clothing stores (Urban Outfitters) and independent craft stores.

**Example, Single-Issue Mooks from Dennis Publishing: Facebook**

We also like “The Independent Guide to Facebook” which is one of a new line of single-issue mooks from Dennis publishing in the UK. We bought the Facebook
Guide in the magazine section at a retail bookstore in San Francisco. The cover price is $14.99. This Facebook guide only has a single ad page, but the format is certainly suitable to ads. The publisher calls them “Bookazines” and you can read about them here: [http://www.dennis.co.uk/dennis_site/brands/bookazines.php](http://www.dennis.co.uk/dennis_site/brands/bookazines.php)

According to their site, Dennis’ bookazine business has grown by over 525% since they were first created in 2004.

**Maker Media**’s Founder, Editor and Publisher Dale Dougherty believes that the mooks or bookazines most likely to succeed in both print and digital formats are:
- How-To, Do-it-Yourself material, which requires a visual format, analogous to a cooking magazine.
- Thought magazines (Good and Plenty were his examples) that continue attracting readers, even in the digital age.
- Hobbyist magazines, Association publications, such as the Linux Users Group, that help to bring together highly-motivated people wanting to communicate with each other, either in print or online.

**Events and Training Programs**

We’ve already said a great deal about O’Reilly’s Maker Faire – which grew out of Make magazine – and other events sponsored by magazine publishers in the magazine strategies section. American book publishers also team up with libraries, schools, retailers, and other stakeholders to develop conferences and other live events for book lovers. For example, Nolo recently partnered with the Foundation Center in San Francisco to host a ‘nonprofit training day’ that featured authors of Nolo’s nonprofit books, including Cheryl Woodard (who co-authored a book called Every Nonprofit’s Guide to Publishing). Our talks were recorded and will be served up as podcasts on Nolo.com. The podcasts are designed to help sell the books, obviously, but also to draw traffic to the site via search engines.

**Private Label or Co-Branded Custom Publications**

We’ve already mentioned media companies who extended their magazine or Website brands into book lines, including Working Mother Media, The Motley Fool, and HowStuffWorks. Many niche publishing companies are well positioned to manage this process for other companies, because they have design, editing, production and marketing expertise within their markets. They also have talented experts who can dream up appropriate co-branded product lines.

**Example, a Newspaper Collaboration with Book Publishers: USA Today**

USA Today is one of the leading US newspapers, known for a graphic and simplified style of presenting information. Recently, USA Today announced an initiative to extend its brand into a line of books published in collaboration with several different book companies, including Nolo. We’re providing the press release that describes this program. The books are also pictured in the Nolo catalog that we’re sending you. The books will be branded "USA TODAY" and
feature graphics and content from USA TODAY, but edited by Nolo’s professional book editors, under a fee arrangement between the two companies.

**Example, Private Label Books from The Motley Fool**
The Motley Fool Website producers hired a team of writers and editors, and then turned to an established book publishing company to publish a best-selling line of personal finance books. Each book bears The Motley Fool brand, and TMF writers have creative control over the content, but the packaging and distribution is handled entirely by Simon & Schuster, and this is a very common arrangement in the US.

**Example, Creating New Brands and Series: The Missing Manual**
When O’Reilly Media wanted to move away from its very technical audience and develop products for beginners, the best way was to develop a completely new brand. In this case, the brand is called The Missing Manual, and the line has its own dog logo, a distinctive graphical style, and a creative team that ensures consistency among the books (to develop and protect the brand). The Missing Manual brand has become extremely popular with readers, and the books sell very well. The line now includes over 70 titles, and has extended beyond computers to subjects like the iPod, Wikipedia, and even “Your Brain: The Missing Manual.” Note that the series has its own Website so that people who liked one of them can find all the others.
Adopting Amazon’s Tactics in A Publisher’s Online Store

Most U.S. book publishers now sell books through their own websites, as well as through online retailers like Amazon. But some of them fail to adopt all of the excellent cross-promoting and upselling tactics invented and successfully employed at Amazon. Here’s a brief rundown of tricks to improve profits at any online bookstore.

Search Inside

Amazon provides customers the opportunity to do a keyword search on the content of every book – to make sure they will find what they need if they buy it. This tactic takes the guesswork out of buying books that a reader can’t scan for themselves in a bookstore.
COUPONS
Alibris.com, a mostly used online bookseller, sends coupons to their customers.

BUNDLES
Once you have a site visitor looking at one product, you can boost profits by offering them two or three products for a discount. Amazon does this bundling in many ways on every book page: by offering two books that are ‘Better Together’ by showing what titles other customers purchased in addition to this one and by automatically serving up search results on the same topic. As a publisher, you also
have the option of combining some of your products into bundles, as in the Nolo example. The practice is extremely successful for increasing add-on sales.

**Example, Creating Bundles to Maximize Upselling Opportunities: Nolo.com**

Nolo’s Busy Family bundle comes with four books and a CD product for about 40% less than each would cost separately, and shipping is also free. A customer who finds one of these four books on the Website will also always find the bundle as another buying option.

**ADD-ON DISCOUNTS**

Many publishers are challenged to respond to Amazon’s deep discounts by offering comparable deals on their own direct sales. Some simply discount their direct orders, too. Others respond by offering other services. Nolo offers free shipping to customers who buy multiple books.

**Example: Upselling and Add-on Sales at O'Reilly**

O’Reilly always offers a three-for two deal: buyers who order two books can get a third one for free. Notice that the O’Reilly page also uses Amazon’s practice of linking one book to others on the same topic – Customers interested in this book were also interested in: (a list of related products). Customer reviews have
become a common practice, too. Many O’Reilly customers actually do submit books reviews.

**PUBLISHER PROFILE: O’REILLY, RESPONDING TO AUDIENCE PASSIONS**

We like O’Reilly Media as an example of a company that started out as a niche technology book company, and has successfully adapted to the extreme changes in that market, by branching into new business lines, and redefining how to deliver technical information. Early on, O’Reilly recognized the primary threat to the technical book market: information that was only available in technical books would be readily available on the net, for free.

The company responded by launching major online programs, inventing new book formats and delivery mechanisms, and creating new ventures when that step was required. Currently gross revenue is split: 50% books, 25% events and 15% magazines, 10% miscellaneous (includes kits and advertising).

Products include hundreds of printed technology books that are also available in digital formats, the *MAKE* and *CRAFT* mooks (profiled earlier in this report), an online school for technical training, several successful conferences, and the Safari Online Books subscription service. Founder, Tim O’Reilly says:

> When we set out to get our books online, we exploded the notion of "book," and built a Web service that truly harnessed the power of the Web
to bring users exactly the information they need. Our Safari Books Online is a Web-based subscription service that offers a searchable reference library of computer books from O'Reilly, Addison Wesley, Microsoft Press, and other leading publishers, at safari.oreilly.com. Safari Books Online is a joint venture with the Pearson Technology Group.

The online school is also a collaboration: pairing up with the University of Illinois, the O’Reilly School of Technology offers certification and coursework in many programming and IT subjects. Individuals can take the classes to advance their own careers, and employers can use the classes to train employees.

O’Reilly also publishes material in video formats, such as the 3-hour training DVD called, SEO for Book Publishers, which retails for $399.

We profiled the Maker Faire earlier in this report, but O’Reilly’s more technical conferences are its more famous ones. Here’s Tim O’Reilly again:

We realized that the people who read our books also want to connect with and learn from each other, so we moved full bore into the conference business. As with our publishing program, our conferences focus on practical, in-depth information taught by those who've mastered (and in many cases, created) important technologies. In addition to OSCON, our current conference offerings include the O'Reilly Emerging Technology Conference (ETech), Web 2.0 (produced in partnership with MediaLive and John Battelle), Where 2.0, EuroOSCON, and the MySQL Users Conference (with MySQL AB).

In terms of how to stay on top of technical publishing after the Internet, Dale Dougherty, visionary and SVP says the key at O’Reilly is tapping the passion of their audience:

The Technology publisher pays attention to change. Technology is going to keeping changing and getting more complex, not simpler. And some people need to figure it out more than others. We focus on the people who are driving the change or trying to build on it, those on the edge who have to understand how the structure is going to change. We also focus only on technologies that are actually changing. For example, Excel is not much different now than when it was first created, and we can ignore it. But other applications are still evolving, like Photoshop, and we concentrate on those.

O’Reilly helps readers keep up with change by asking them to register when they buy a book or attend an event or take a class. The publisher then sends an email alert to registered customers whenever new information becomes available on the same subject. And important books are also updated – both in print and online – as often as necessary to keep them current.
The Internet is key to keeping in contact with its customer base.

Today, our online offerings present technology information in a range of formats. Our portal for developers, the O'Reilly Network (www.oreillynet.com), focuses on open and emerging technologies, covering important new technologies in the trademark O'Reilly style— independent and in-depth—and steeped in the experience of those on the "bleeding edge." Our O'Reilly Radar blog (radar.oreilly.com), written by a team of O'Reilly technologists, presents intelligence about emerging technology and highlights the original research conducted by the O'Reilly Research group.

When we asked him if he has any advice for CP, Dale Dougherty recommends returning to local in looking for tech publishing ideas: “Find out the things that matter most to people, and what skills are needed most in your country. Technology is changing everything. Crawl inside (your own country, your own people) and find what suits them. Forget about what books are selling in other places.”

**Publisher Profile: Nolo, Concentrating on a Core of Topics**

Nolo’s mission is to make legal and business topics easy to understand. The company has no magazines, mooks, or events, and only covers a narrow range of subjects addressing the same mission. Still, the company needed a plan for responding to Internet-driven changes in the book market.

Nolo’s niche books had been suffering through a sharp decline in retail bookstore sales during the early 1990s because of consolidation in the channel. And retailers had always given more attention to blockbuster books (like Harry Potter) than to the everyday topics – like divorce, taxes, and business – published by Nolo. Hoping to replace sagging retail sales with fresh online business, Nolo jumped onto the Internet early and completely. Now, about half of the employees are working on the digital side of the business, programming, editing for the Web, or marketing there. And the Nolo.com Website gets 850,000 visitors per month, with a million names on its email subscription lists.

The key to successful sales in the Internet era has been sticking close to their core subjects, and becoming the leading experts on those topics, or as the CEO calls his strategy, “everything radiating out from the central point of self-help law and business information.” Sticking to their strength like this has allowed them to develop products tailored to the audiences where Nolo already enjoyed some strength and credibility. In turn, that credibility gave them bargaining power with Amazon and Google and other key players in the online world.
And their strength in the niche also leads to powerful strategic alliances for Nolo. For example, the company recently teamed up with USA Today, a national American newspaper that goes into 2.3 million households, to publish a new line of books. The first three titles are: Retire Happy, The Work from Home Handbook, and The Busy Family’s Guide to Money.

When building up their site, Nolo found that generic solutions didn’t work. For example Google ads were bringing in $300,000 per year but at the same time, these ads were allowing objectionable companies access to Nolo’s reputable site and reducing the site’s overall credibility. Competitors were able to piggyback on Nolo’s efforts by buying Google ads, and lawyers who didn’t want to buy more expensive ads directly from Nolo were buying Google ads. So, the company quit Google’s program and developed its own sales force and advertising products. For training new sales people, Nolo’s five senior sales people get a share of their sales and the top sales people are earning $100,000. Last month, the team brought in 120 new lawyer advertisers – and Nolo will be breaking even when the sale team brings in 200 new advertisers every month.

Owner and CEO Ralph Warner is 64 years old and thinking about the future of his company after he retires. He told us that prospective buyers have only been interested in the Web side of Nolo and completely discount the print products and even the backlist content. No deals have been made yet, because no buyer has come up with a decent offer. Last year’s revenues were $18 million and there will be $20 million this year, and profit margins will start to grow as the Web investments scale up.

**Other Common US Strategies**

**Combining Magazines and Websites into “Integrated Marketing Solutions” (IMS)**

When publishers enjoy leadership in a tightly focused niche and positive relationships both with readers and key advertisers, they move to capture an increasing share of revenue by developing new products and services for current customers. In this way, they reduce competition by squeezing weaker players out of the market. In the United States, publishers are calling this strategy ‘integrated marketing solutions’ or IMS.

Typically, IMS publishers aim to bundle print publications, live events, e-media, database products, Websites and even cable TV, radio, and other broadcast sponsorship opportunities into customized advertising sales packages they can tailor to the budgets and marketing goals of each client. As one financial-market niche publisher explained the strategy, "Expanding how we reach our highly-sought community of readers gives our advertisers more opportunities to buy from us. Two years ago, we had one title and one Web site. Since then, we
launched an array of events, Web sites and magazines targeting very specific audiences with highly focused information tailored to each audience. Now we have enough tools that we can actually listen to each advertiser and come up with a customized package that helps them reach very specific customers."

But even with a complete lock on the advertisers in a lucrative niche, the strategy comes with some steep challenges. Frank Anton, CEO of a $250 million B2B company said,

As it turns out, the e-media focus encompasses a whole bunch of things, from organizational issues to hardcore tech issues. Initially we focused on reorganizing our staff, budgeting a $2 million increase in its salary line for e-media jobs. But as we got into it, we realized there was much more to it than that. When we planted these electronic-media experts into our magazine groups, they had a million ideas and we soon learned that we didn’t have the technology to implement them. We're thinking a new content management software system will be a big help, but we're realizing that we will probably need new equipment and software, plus even more new people. And tech people are far more expensive than entry-level editors.

In other words, US print publishers looking to build a strong Internet component have found the process expensive and painful. We encourage every niche publisher to begin planning how to use whatever skills are available to build bundles of print, online and event offerings to maintain a leadership positioning with important advertisers.

**A dedicated sales team:** American publishers are still using separate sales teams to manage these IMS projects. That is, most have a media kit for print (with one sales team), a media kit for online (with another sales team), and a third sales team that sells events, and other so-called integrated solutions.

**Example, IMS for Consumer Audiences: Popular Photography and American Photo** – Popular Photography and American Photo are two magazines owned by Hachette Filipacchi Media (HFMUS), one of the companies that developed and perfected the Integrated Marketing Solutions idea for consumer magazines.

Advertisers in the print magazines can also advertise on a Website [www.PopPhoto.com](http://www.PopPhoto.com) that draws over 860,000 visitors per month and 45,000 email newsletter subscribers. This Website includes content both Popular Photography and American Photo, and provides customer service support for both. Each magazine also a buying guide distributed in print on newsstands and a college edition of the magazine (also in print). Web offerings include podcasts, blogs, forums, galleries, and contests, all sponsored by advertisers. The Website also includes a marketplace feature, driven by a third-party vendor
(www.streetprices.com), that earns a small commission whenever a reader follows a link from PopPhoto.com to a merchant Website. The Website also promotes other HFMUS photography magazines. Beyond the print and Web offerings, advertisers can also sponsor consumer research and brand awareness studies. We have enclosed a sample issue and media kit.

Readers can elect to pay for $4.99 for a single issue purchased in a kiosk, $1 per copy for a subscription delivered in print to their home, or 75 cents per issue for a digital edition delivered by email. According to recent circulation audit statements, Popular Photography and American Photo capture about 40% of the circulation in the niche. Popular Photography has 307,000 print subscribers, 3,360 digital ones, and typically sells 37,000 copies of each issue in retail stores. American Photo has 122,000 print subscribers, 1,576 digital ones, and sells 33,000 copies per issue on newsstands.

As is common with American publishers, the Popular Photography and American Photo ad sales teams are divided into four groups: magazine, digital, classified, and marketing solutions. The classified and integrated solutions teams operate at the corporate level and are shared among several HFMUS properties, while the print and online teams are dedicated to specific magazines. Here’s what the Website says about integrated solutions:

Every major media company has an integrated corporate sales and marketing group, but our new vision for Total Solutions is definitely a cut above. The HFMUS Total Solutions marketing initiative creates customized, integrated packages across all brands and platforms. Using our modern database of over 22 million names and other assets, we are responsive and creative in customizing media/marketing programs to meet advertising objectives. More than just a standard corporate selling and marketing layer operating independently from individual magazine brands, this new group blends corporate and magazine teams, tapping into account experts at each brand. For example, in the automotive market, Car and Driver and Road & Track sales and marketing experts will work in concert with the corporate team in a much more integrated way, guiding and helping formulate unique media solutions to solve client challenges.

**Recommendations:**

- Look at your best advertiser customers and audiences and determine a few good integrated marketing ideas that will have the greatest appeal.
- Put a single person in charge of integrated marketing activity. It generally does not work to expect existing sales teams to successfully launch integrated programs. Instead, you need one person to develop the ideas and build them. Later, that person can train the others.
Becoming a Third-Party Vendor to Other Publishers

We found many examples of publishers offering their expertise to other publishing companies as a way to capture additional revenues. The practice is most common on the Internet, probably because it’s so easy to implement there. But the idea need not be limited to the Web. For example, a book publisher might think about publishing books on behalf of Internet or magazine companies in their niche. That discussion is in the book section of this report. And IDG keeps its events management arm separate from its media businesses, so that the group can offer fee-based event management services outside of IDG, even to competitors.

Ad sales networking is another example that we found in the U.S.

Many very small Websites want to include ads, but don’t have their own sales teams, and are never likely to have enough ad business to justify hiring their own sales team. Consequently, ad sales networks have been created to manage this business for them. And advertisers are responding very well to these online ad networks because they can buy from multiple sites to reach a larger audience, without having to deal with dozens of individual sites.

Google Adsense is the largest of these networks, but publishers and advertisers have already started taking issue with Google as a service provider. For one thing, Google does not operate in a completely transparent manner – publishers never know exactly how much revenue is being generated, or what share Google keeps for itself. Instead, Google only reports the publisher’s share. Another complaint: Google is not effectively screening out ads from competitors, or from disreputable companies. Even though these services are supposed to be available, they often break down in the face of Google’s rapid growth. And finally, advertisers find that ad performance drops off significantly for ads running on Google’s network sites as opposed to ads running on Google’s search results pages. There is plenty of room for competitor networks to take business away from Google – especially in niche markets – if they can improve on performance. And many networks are springing up to do just that.

Example, Tech Sites through Federated Media (FM):
O’Reilly participates in a network that focuses on technology Websites and blogs, called Federated Media/Tech http://www.federatedmedia.net/. FM also operates networks for small business, parenting, and graphic arts sites.

Example, Home and Family Sites through Martha’s Circle
Martha Stewart is an American icon of cooking and home making. Her Website draws 3.9 million monthly visitors, and the company recently launched an ad network service for “exceptional lifestyle sites and blogs handpicked by our editors” called Martha’s Circle http://www.marthastewart.com/marthas-circle. Martha’s Circle is forecast to generate around 20 million ad views a month and
features well-known sites such as Hostess with the Mostess, Charles and Hudson, 101 Cookbooks and Style Me Pretty. "Today's fragmented media landscape makes it challenging to reach and build meaningful connections with target consumers," said Ruby Gottlieb, senior vice president, managing director, Horizon Interactive, who has used Martha’s Circle for Ace Hardware. Other advertisers include Bank of America and Macy’s. We have included the full text of advertiser and publisher agreements for Martha’s Circle with this report.

**General Recommendations**

**Choose Your Best Markets**

Identify those niche markets that show the most promise, and focus on extending your brands in those markets, while abandoning weaker ones. Choose markets where large numbers of manufacturers are still aggressively competing for market share, and where consumers still need or want information. Consider the advertisers and consumers in each market – doing research or interviews if necessary – to identify trends that show the most promise in each niche. Which innovations are likely to prosper? Which trends are strongest? What are the unique and compelling needs that you can address in those markets?

We’ve tried to distinguish between those publications that are threatened by the Internet – because readers use the Web as an alternative to print information sources – and those that are using the Internet in a positive way, to reach new customers. We encourage you to develop more products in this second category, by focusing on durable subjects that show up best on paper, including art, literature, and any information illustrated by photos or graphics such as nature subjects, how-to hobbies, and science.

**Blanket Each Market with Products**

Gather together all of your existing content and expertise for the chosen niches and devise a plan for covering each market as thoroughly as possible with a suitable bundle of products from among the many in our examples. The key is to claim a leadership spot in each market by being the main source in every area – print, online and in person. If possible, reassign staff and resources from your less-promising products to developing the strongest possible offerings in your best niches.

**Acquire Expertise through Partnerships and Vendors**

Rather than learning how to run events, manage database products, or produce digital products – and then staffing up or retraining staff – you can forge outside partnerships to quickly supplement your current capabilities with new ones. For
example, Macworld licenses its name to the IDG Expo group, which manages the event and exhibitor sales, and pays a share of the revenues to the magazine. Working Mother (a magazine we profile later in this report) jumped into the conferences business by buying a small company with experience there. And O’Reilly hired a vendor to sell event sponsorships, when launching their first events.

Appendix

Fastest Growing Ad Categories in the US

During 2007, magazine advertising revenues in these top twelve categories grew by 6% from 2006 levels, on average, despite a weakened US economy. But there were wide variations among categories. Technology ad revenues in print magazines were down by 9% and pages

<table>
<thead>
<tr>
<th>Product Category</th>
<th>2007</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Products</td>
<td>$2.1</td>
<td>$1.8</td>
<td>17%</td>
</tr>
<tr>
<td>Toiletries, Cosmetics</td>
<td>$2.5</td>
<td>$2.3</td>
<td>12%</td>
</tr>
<tr>
<td>Media, Entertainment</td>
<td>$1.8</td>
<td>$1.6</td>
<td>11%</td>
</tr>
<tr>
<td>Retail Stores</td>
<td>$1.9</td>
<td>$1.7</td>
<td>10%</td>
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<tr>
<td>Finance, Insurance, Real Estate</td>
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<td>$1.3</td>
<td>9%</td>
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<tr>
<td>Drugs, Remedies</td>
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<td>$2.4</td>
<td>7%</td>
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<tr>
<td>Transportation, Hotels, Travel</td>
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<td>$1.1</td>
<td>7%</td>
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<tr>
<td>Apparel, Accessories</td>
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<td>$2.0</td>
<td>7%</td>
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<tr>
<td>Direct Response</td>
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<td>$1.8</td>
<td>3%</td>
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<tr>
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<td>$2.0</td>
<td>-2%</td>
</tr>
<tr>
<td>Home Furnishings</td>
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<td>$1.7</td>
<td>-8%</td>
</tr>
<tr>
<td>Technology</td>
<td>$1.0</td>
<td>$1.1</td>
<td>-9%</td>
</tr>
</tbody>
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Vendors Who Might be Helpful

As we studied the US magazines, we found some vendors that might be of interest to you and we have included their marketing information in case these services are also available in Europe.

Ad Networks

- Industry Brains
- Federated Media Advertising Sales Network

Pricing and Commissions Servers
• StreetPrices.Com – for its Website. PopPhoto.com, Popular Photography chose www.StreetPrices.com to manage a program that earns the magazine a small commission on photography product sales at the site.
• PriceGrabber – used by PC World, this company also powers comparison shopping functionality for MSN Shopping, Ask.com, About.com, iVillage and Comcast and others. www.pricegrabber.com
• CommissionJunction - Clients include leading online marketers eBay, MSN®, and USA TODAY. www.CommissionJunction.com

Digital Editions Producers
• Texterity
• Zinio

**Outside Shopping Cart Support** O’Reilly hired a third-party vendor called Volusion http://www.volusion.com to develop the Maker Store site, which links to all other O’Reilly sites and helps to cross-promote them.