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Confidentiality of Original Data The data contained in this Executive Summary of the “Financial Review of Consumer Magazines” was derived from the Magazines Publishers of America (“MPA”) Summary of Financial Survey Responses, which is a report prepared by Condon O’Meara McGinty & Donnelly LLP (MPA’s accounting firm) from data submitted by members of the MPA.

Opinions in this Executive Summary are those of The Jordan, Edmiston Group, Inc. (JEGI) and Cindy Still and do not necessarily reflect the opinions of the MPA. All data and commentary should be viewed as directional and on an average basis, with consideration for the sample makeup. It should also be noted that at no time was original survey data or any individual company data shared with the MPA, The Jordan, Edmiston Group, Inc. or Cindy Still.

A more detailed explanation of the original survey, compilation of results, and definitions used by Condon O’Meara McGinty & Donnelly LLP may be requested from the MPA.

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M&A for the Media & Information Industries

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INTRODUCTION

About The Jordan, Edmiston Group, Inc. JEGI of New York, NY (www.jegi.com) is the leading provider of independent investment banking services for media, information, marketing services and related technologies. Since its foundation in 1987, the firm has completed nearly 500 high-profile M&A transactions for global and emerging companies; entrepreneurial owners; and private equity and venture capital firms.

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About Cindy Still In preparing this report, JEGI was assisted by Cindy Still, a veteran media executive who advises print and digital publishers on a wide range of strategic, marketing and operational issues. She has also been instrumental in the sale and acquisition of a number of major media properties and has held senior management positions at Gruner + Jahr, Time Inc., The Atlantic Monthly and Hearst Magazines. Ms. Still may be contacted at 212-810-9319 or cjs@cjstill.com.

Statement of Methodology **Average Publication** The data and reporting in this Executive Summary of the Financial Review of Consumer Magazines are based on the "Average Publication", which comprises an average of financial and performance data provided by 22 consumer magazine publishers across 82 consumer magazines for each year of the five-year period, 2003-2007.

The sample of 82 magazines, referred to in this report as the "average consumer magazine," is weighted toward large monthly and weekly consumer magazines, as well as magazines under the ownership of multi-magazine publishers. We recommend that users keep this in mind when comparing the data to their own magazines.

Commentary provided in this Executive Summary was drawn from JEGI's and Cindy Still's consumer magazine industry experience, along with a number of conversations with industry experts and participating magazine executives.

Wherever data was either not reported or appeared incorrect, adjustments were made, and only data that appeared to be the most common and supported were reported.

INDUSTRY OUTLOOK

Perhaps 2007 will be chronicled as the year that magazines reached the change threshold. No longer do they view themselves as “words on paper”. The industry’s transformation – from one based totally on print to one with multiple products and revenue streams – is ongoing. Today, we see an industry that considers itself content driven and platform neutral.

No transformation comes without its challenges, and publishers grappled with many from 2003 to 2007 (the “Period” of this Executive Summary). From rebuilding infrastructure to reorienting employees’ mindsets, the Period went through dynamic and sometimes difficult change. At the same time, it demonstrated that what publishers are selling – quality content – is valued by both the consumer and the advertiser.

Going forward, the economy will force rapid change. As Diane Mermigas said in a recent MediaPost article, “Media companies are sure to be blindsided...if they refuse to recast themselves for a radically changed landscape.” What will the new publishing environment look like? Here is what industry experts are saying about the new realities.

Building on Brands

Publishers own powerful brands that are valued by both consumers and advertisers and can be leveraged across platforms. These brands will tend to fare well in the new media environment; as consumers use search engines to find information and navigate the Internet, they will turn to trusted names. As such, consumer magazine publishers have a distinct competitive advantage in online search performance. Additionally, brand assets, like customer databases, will help target growth areas, making the transformation more cost efficient.

Content is the Cornerstone

“At the end of the day, it has to be really good content.” This is the sentiment recently expressed by a senior publishing executive and one that is echoed across the industry.

The media company of the future will effectively leverage its content across platforms. The editorial staff will continue to handle the printed magazine, while expanding their skills to digital, mobile and even reality TV. Consumers will continue to value quality content from a trusted source, as they are bombarded with reams of questionable information.

In order to operate efficiently, magazines will need content management systems that allow editors to easily access, edit, send and store this content.

Revenue Diversification

While print revenue still dominates for consumer publishers, growth is increasingly coming from digital, events, custom publishing, and data information sales. Publishing companies have more revenue streams than ever before. Determining the health of a magazine by its print metrics alone is not appropriate or accurate in the new multi-platform world.



Partnering

Media companies have come to realize that “no one can go it alone.” Some of the most exciting programs on the horizon involve magazine publishers in partnership with online media companies, such as Delish’s partnership with MSN and Hearst; Forbes’ alliance with Facebook; Playboy’s development of iPhone content; and Life’s arrangement with Google. These programs expand consumer offerings and revenue, while reducing start up costs. They also allow shared learning, benefitting both parties.

Monetizing the Consumer

As magazines develop costly content, the continuing question will be “how do we monetize this investment?” Magazines’ biggest challenge is to find a balanced model of consumer and advertising revenue. Those efforts are accelerating as the advertising market softens.

Increasingly, publishers are developing paid premium content. They are also utilizing new Web 2.0 capabilities to make content more interactive, offering programs and services, such as financial planning tools, diet and weight loss programs, and fantasy football.

Consolidation of Staff

The new media environment requires a smaller, more flexible work force with more diverse skills. As one executive said about the future of sales representatives, “The person who will have a difficult time moving forward is just a print seller who can’t handle multiple offerings...” The same can be said of editors, circulators, and production and marketing staffs.

Integrated Marketing

As content has expanded and revenue diversified, integrated marketing programs have become critically important. These programs combine all aspects of a publisher’s business – print, online, database, and events – to drive advertising reach and effectiveness. While the economy may slow their growth in the short term, they will be the keystone of future publishing companies.

Accountability

In today’s media world, advertisers are looking for accountability. Magazines have addressed this in a number of ways by expanding the depth and transparency of consumer interactions and reporting.

The industry is working to evolve audience measurements for its publications that are more timely and accountable, as well as more comparable to those of other media. This initiative is expected to position magazines to compete more effectively with other forms of media and other advertising vehicles.

Industry leaders from publishing and advertising, working with the consulting firm McKinsey & Co., have contributed recommendations, some of which have been adopted by the leading research firms (e.g., Affinity; MRI; Simmons; etc.). These recommendations include the release of issue-specific data, supplemented by ad engagement and action-based metrics.

An increasing number of sales programs, particularly the larger integrated packages, include accountability measures so that advertisers can gauge success.

On the circulation side, the Audit Bureau of Circulations (ABC) reports that over 76% of audits are now completed within nine months, up from 51% two years ago. And, over 175 magazines now participate in Rapid Report, which provides top line publisher data within weeks of a magazine going on sale.

For their digital media offerings, publishers are working with the Interactive Advertising Bureau (IAB) and the Online Publishers Association (OPA) to set consistent and comparable reporting standards. Advertisers have responded positively to these steps and remain interested in continued progress, as they justify media choices to their clients.

Conclusion

With the current economic situation, all of these challenges and efforts will be accelerated. The companies that develop new revenue, effectively manage their resources, and develop strong teams will be the ones that survive and position themselves for strong growth going forward.

EXECUTIVE SUMMARY

Overall Profitability In looking at magazine performance, profit maximization is the driving force behind the choices that are made in audience development, book size, staffing, infrastructure and new platform investment.

The MPA Summary of Financial Survey Responses (“MPA Financial Survey”) indicates a profit, before overhead, of \$26.2 million for the average consumer magazine in 2007. Further, it shows a profit margin, before overhead, of 27.9%. Demonstrating the success of efficiency measures and utilization of new technology, the operating profit per paid copy increased 1.5% in 2007, to \$1.02.

Operating Profit/Loss per Magazine						2003-2007	2006-2007
	2003	2004	2005	2006	2007	CAGR	% change
Operating profit (000)	\$26,413	\$28,377	\$26,170	\$26,778	\$26,156	-0.2%	-2.3%
Change vs. year ago		7.4%	-7.8%	2.3%	-2.3%		
Operating profit % total revenue	30.1%	30.6%	28.3%	28.5%	27.9%	--	--
Operating profit per paid copy	\$1.02	\$1.09	\$0.97	\$1.01	\$1.02	0.1%	1.5%
Change vs. year ago		6.6%	-11.1%	4.2%	1.5%		

As magazines become multi-platform and define their audience as the sum of all the parts, success will depend on being flexible and proactive. Although the current global economic crisis may delay the transformation, 2007 proved that consumer magazine publishers have become content centered and platform neutral. Smart companies will position themselves to weather the storm and lead their markets when things begin to improve.

Total Revenue Total revenue for the average magazine increased at a CAGR (compound annual growth rate) of 1.6% across the Period, reaching \$93.6 million in 2007. Revenue for 2007 was essentially flat, when compared to 2006.

The amount of revenue by source for the typical magazine in 2007 reflected the traditional breakout between advertising and circulation. For the first time, digital advertising became a meaningful factor:

Revenue Breakdown		
Advertising		58.2%
Print	55.6%	
Digital	2.5%	
Circulation		41.4%
Subscriptions	29.4%	
Single Copy	12.0%	
List Rental		0.5%
Total		100.0%

Advertising Revenue In 2007, total advertising revenue (including print and digital) reached \$54.4 million, an increase of 0.6% compared to 2006. Net print advertising revenue fell (0.5%), the result of a (3.7%) decline in advertising pages. The overall increase in advertising revenue was driven by digital revenue, which reached \$2.4 million in 2007, an impressive 33.9% increase from 2006, the first year this Report tracked digital advertising.

Digital revenue is expected to become increasingly important going forward. While this survey indicates that only 4.3% of total ad revenue comes from digital, many companies saw over 10% of their ad revenue come from digital sources. A recent survey by PriceWaterhouseCoopers revealed that U.S. publishers expect to be generating as much as 20% of their total revenue from digital platforms within five years.¹

Net advertising revenue per page grew 3.4% in 2007, to \$46,100, and at a CAGR of 5.2% over the Period, indicating publishers' continuing ability to sell the value of magazines. It also reflects the growth of integrated advertising programs, which leverage print, digital, events, databases and emerging platforms to provide a comprehensive buy. An increasing amount of revenue is derived from these programs, which is not reflected in traditional performance statistics. Advertisers have embraced these programs, and it appears consumers have as well.

Looking at industry metrics for advertising pages. Publishers Information Bureau (PIB), which reports on approximately 230 consumer magazines, showed a slight decline in ad pages of 0.6% in 2007. Seven of the twelve major advertising categories showed ad page growth in 2007, as compared to 2006, including: Food & Food Products (+9.8%); Media & Advertising (+5.2%); Finance, Insurance & Real Estate (+3.8%); Drugs and Remedies (+3.1%); Toiletries & Cosmetics (+2.9%); Retail (+2.2%); and Public Transportation, Hotels & Resorts (+1.2%).

The Technology sector declined 14.1% for the year, along with Home Furnishings & Supplies (-12.4%); Automotive (-6.3%); Direct Response (-4.7%); and Apparel & Accessories (-0.2%).

Circulation Revenue No aspect of the publishing equation has been more challenged than circulation, with circulators facing the challenging task of delivering the requisite rate base, while maintaining revenue and controlling costs. The advent of free information on the web has made this even more of a challenge, as has the softening economy and the inherent stresses in the single copy distribution chain. In 2007, circulation revenue totaled \$38.7 million, a decline of (2.0%) for the year and essentially flat on a CAGR basis for the Period.

¹ PWC Outlook for Magazine Publishing in the Digital Age, 2008

Subscription copies accounted for 89.7% of the average magazine's total circulation in 2007. Gross sub revenue of \$27.5 million for 2007 declined (2.6%) vs. 2006 and decreased at a CAGR of (1.4%) over the Period. The 2007 decrease was driven by fewer subscriptions.

Gross single copy revenue totaled \$11.3 million in 2007, with a decline in paid single copies sold per average issue of (2.9%), to 161,000, being essentially offset by a single copy revenue per copy increase of 2.3%, to \$4.26. Throughout 2007, publishers were able to increase single copy prices and maintain their single copy revenue, while increasing profit margins.

List rental revenue, typically managed by the circulation department, grew to \$434,000 in 2007, a 0.9% increase over 2006 levels. This demonstrates the value of high quality responsive names in the marketplace and confirms that reductions in marginal circulation have not eroded this profitable area.

Key Average Revenue per Magazine						2003-2007	2006-2007
(000)	2003	2004	2005	2006	2007	CAGR	% change
Net advertising revenue	\$48,071	\$51,505	\$51,205	\$52,346	\$52,080	2.0%	-0.5%
Change vs. year ago		7.1%	-0.6%	2.2%	-0.5%		
Digital advertising revenue	\$0	\$0	\$0	\$1,764	\$2,362	n.a.	33.9%
Change vs. year ago		n.a.	n.a.	n.a.	33.9%		
Total advertising revenue	\$48,071	\$51,505	\$51,205	\$54,111	\$54,442	3.2%	0.6%
Change vs. year ago		7.1%	-0.6%	5.7%	0.6%		
Gross subscription revenue	\$29,068	\$29,614	\$29,223	\$28,210	\$27,479	-1.4%	-2.6%
Change vs. year ago		1.9%	-1.3%	-3.5%	-2.6%		
Gross single copy revenue	\$10,228	\$11,196	\$11,525	\$11,324	\$11,264	2.4%	-0.5%
Change vs. year ago		9.5%	2.9%	-1.7%	-0.5%		
Total circulation revenue	\$39,295	\$40,811	\$40,748	\$39,534	\$38,743	-0.4%	-2.0%
Change vs. year ago		3.9%	-0.2%	-3.0%	-2.0%		
List rental revenue	\$440	\$447	\$442	\$430	\$434	-0.4%	0.9%
Change vs. year ago		1.6%	-1.0%	-2.8%	0.9%		
Total revenue	\$87,806	\$92,762	\$92,396	\$94,074	\$93,619	1.6%	-0.5%
Change vs. year ago		5.6%	-0.4%	1.8%	-0.5%		
Total revenue/paid copy (not 000)	\$3.40	\$3.56	\$3.42	\$3.54	\$3.66	1.9%	3.4%
Change vs. year ago		4.8%	-4.0%	3.7%	3.4%		

Operating Expenses From 2003 to 2007, total expenses for the average magazine increased at a CAGR of 2.4%, to \$67.5 million, while the increase in 2007 vs. 2006 was a minimal 0.2%. A look at the individual cost centers shows circulation accounting for 36.1% of total costs, with Production & Distribution the second largest cost center, at 33.9%, as shown below:

Expense Breakdown		
Circulation		36.1%
Subscriptions	26.7%	
Single Copy	9.4%	
Production & Distribution		33.9%
Production	22.2%	
Distribution	11.7%	
Editorial		16.9%
Advertising		13.2%
Total		100.0%

Advertising Expense Total advertising expenses for 2007 declined (2.3%) to \$8.9 million, despite increasing at a CAGR of 8.7% over the Period. As noted above, advertising expenses accounted for 13.2% of a magazine's total costs in 2007.

The largest expense in advertising is selling expense, which includes the sales staff's compensation, as well as their T&E, conference and other related expenses. This category declined (4.0%) in total in 2007, including selling expenses for both print and digital, which was first provided for this Report in 2006. On the print side, selling expense increased at a CAGR of 7.1% across the Period.

With the advent of more platforms to sell and competition from growing Internet companies, publishers have increased their sales staff sizes. Additionally, integrated sales staffs have been added by many publishers, to complement dedicated print staff. Some companies classify these integrated staff costs as corporate overhead, which explains the sporadic increases in that area, as publishers experiment with various internal sales structures to drive higher ad revenue company-wide.

In 2007, the cost of research and promotion for the average magazine reached \$1.8 million, an increase of 4.6% over 2006. On a CAGR basis, this cost also increased 4.4% during the Period, with the only decline coming in 2005. Including support materials for sales of print and digital, as well as related research, marketing has continued to evolve in a multi-media world. Not only has the workload increased for publishing's marketers, but they have also had to acquire new skills in adapting to the digital evolution.

Circulation Expense Circulation is the largest expense for the average magazine, accounting for 36.1% of total magazine costs in 2007. The combined subscription and newsstand costs of \$24.3 million in 2007 comprised \$18.0 million of subscription

costs and \$6.3 million of costs related to single copy sales. These costs grew 2.8% and 1.7%, respectively, in 2007 versus 2006. Over the Period, subscription costs were essentially flat, declining (0.2%) on a CAGR basis, while single copy costs increased at a CAGR of 1.7%.

Subscription Expenses

Postage and paper costs are the major contributors to subscription expense, and both increased in 2007. There were two postal rate hikes in 2007, which led to a 10.9% increase in third class postage for the average magazine. First class postage costs (for billing) actually declined (6.8%), as fewer subscribers, increased use of the Internet and partnership sources, as well as continuous service subscriptions, combined to reduce the quantity of billing efforts sent.

In 2007, subscriber promotion costs, including the creation and printing of any solicitations directly from the publisher (i.e. mail, Internet, partnership) increased 7.5% vs. 2006, to \$7.8 million. For the Period, these expenses increased at a CAGR of 4.0%.

Acquisition and retention of subscribers still depend mainly on solicitations sent through the mail. With paper costs increasing or leveling out, any cost savings will depend on successfully shifting to the Internet and emerging platforms. Costs for digital and partnership start up expenses are also included here.

Agency expenses, related to the promotion and commission costs associated with third parties generating subscriptions for a publisher, decreased (1.7%) in 2007 and at a CAGR of (4.4%) for the Period. As advertisers increase their scrutiny of magazine audience quality, publishers have increased the ratio of direct-to-publisher vs. agency subscriptions, and in the process, agency costs have decreased. The largest decrease of the Period, (5.7%) seen in 2006, coincides with the ABC rule change on public place copies, which were moved from paid to verified on the Publishers' statement.

Fulfillment expenses for the average magazine declined (2.2%) in 2007, to \$1.4 million, and saw a CAGR decrease of (1.2%) across the Period. This decline was tied to a (3.9%) decline in the average number of paid subscribers on file.

Single Copy Expenses

Single copy expenses for the average magazine reached \$6.3 million in 2007, increasing 1.7% compared to 2006 and at a CAGR of 1.7% across the Period.

The "fixed" portion of newsstand expenses, including commissions, broker fees and retail display allowance (RDA), remained at approximately 48-49% of gross single copy revenue through the Period, after exceeding 50% in 2003. Commission expenses hovered around 36% of gross revenue. RDA increased

from 7.4% of gross revenue in 2004 to 8.2% in 2007, as display space continued to become more competitive.

Single copy promotion costs rose to \$806,000 for the average magazine in 2007, a 7.8% increase over 2006 and a 7.4% CAGR increase for the Period. This category includes racks and promotional displays in stores. Promotion costs also include salaries and other staff costs.

Editorial Expenses In reviewing editorial costs for 2007, it is important to note that they include all costs associated with print magazines, as well as branded web sites.

In 2007, editorial expenses totaled \$11.4 million, having increased 3.3% over 2006. For the Period, these costs increased at a CAGR of 4.5%. Editorial expenses comprised 16.9% of an average magazine's expenses in 2007, up from 15.5% in 2003. This again demonstrates publishers' ongoing commitment to producing quality content that can be utilized across multiple platforms.

Manuscripts and art expenses fell (5.0%) in 2007, to \$2.3 million, reflecting a (7.5%) decline in editorial pages in 2007, to 1,245, from 1,346 the prior year. Other editorial expense, including staff costs and editorial research costs, increased 5.0% for the year.

The integration of digital and print has produced an increase in readers across the board. Nielsen reported that magazine web sites reached 42% of the U.S. online population in the fourth quarter of 2007 – an increase of 7.1% over the prior year. At the same time, visits increased 12.3% and time spent increased 5.5%. On the print side, MRI data covering spring 2007 to spring 2008 revealed that 74% of the 95 leading titles saw their audience increase, driving a total increase of 4.3%.

Production Expenses Production expenses include paper, printing and binding of print issues, as well as web site-related costs, such as software and hosting. These costs reached \$15.0 million in 2007, making it the second highest cost center.

Due to the (3.5%) decline in copies printed and (9.1%) decline in pages in 2007, production expenses overall, including web sites, decreased (4.4%).

For the average magazine, paper costs per million pages printed increased 2.9% in 2007, as paper prices continued to climb due to consolidation of suppliers and increased worldwide demand for all grades of paper.

Printing and bindery costs also decreased (1.8%) in 2007, to \$6.9 million, based on less volume and smaller book sizes. Publishers have also been able to take advantage of long term printing contracts.

Distribution Expenses Distribution expenses include second class postage and other costs for subscription delivery, as well as transportation costs for newsstand copies.

These expenses totaled \$7.8 million in 2007, a 1.3% increase compared to the prior year. Over the Period, these costs grew at a CAGR of 3.2%.

As noted above, the number of copies distributed declined, as publishers cut their draw and eliminated marginal subscriptions. In 2007, the number of subscription copies declined (3.9%), and newsstand copies distributed fell (2.0%).

These reductions helped offset the large increase in distribution cost per paid sub copy, which reached \$.32 per issue, a 5.8% increase over 2006, and a direct result of two postal increases.

Newsstand copies saw a reduction in their cost per single copy delivered of (1.7%), to \$.083 per copy, from \$.085 in 2006, based on the volume reduction of (2.0%). This efficiency was achieved before the 2008 run up in gas prices.

Key Average Operating Expenses per Magazine							2003-2007	2006-2007
(000)	2003	2004	2005	2006	2007	CAGR	% change	
Advertising expense	\$6,356	\$8,502	\$8,580	\$9,085	\$8,872	8.7%	-2.3%	
Change vs. year ago		33.8%	0.9%	5.9%	-2.3%			
Subscription expense	\$18,128	\$18,132	\$17,894	\$17,520	\$18,014	-0.2%	2.8%	
Change vs. year ago		0.0%	-1.3%	-2.1%	2.8%			
Single copy expense	\$5,912	\$6,163	\$6,418	\$6,214	\$6,318	1.7%	1.7%	
Change vs. year ago		4.3%	4.1%	-3.2%	1.7%			
Editorial expense	\$9,571	\$9,709	\$10,363	\$11,039	\$11,408	4.5%	3.3%	
Change vs. year ago		1.4%	6.7%	6.5%	3.3%			
Production expense	\$14,484	\$14,608	\$15,485	\$15,673	\$14,985	0.9%	-4.4%	
Change vs. year ago		0.9%	6.0%	1.2%	-4.4%			
Distribution expense	\$6,943	\$7,272	\$7,486	\$7,765	\$7,866	3.2%	1.3%	
Change vs. year ago		4.7%	2.9%	3.7%	1.3%			
Total magazine expense	\$61,394	\$64,385	\$66,226	\$67,296	\$67,462	2.4%	0.2%	
Change vs. year ago		4.9%	2.9%	1.6%	0.2%			
Total expense/paid copy (not 000)	\$2.37	\$2.47	\$2.45	\$2.53	\$2.64	2.7%	4.2%	
Change vs. year ago		4.0%	-0.9%	3.5%	4.2%			

FINANCIAL SURVEY DEFINITIONS

Revenue

Gross Advertising Revenue	Total of advertising billings from the print product resulting from black-and-white and four-color one-time rates. PIB members use PIB figures, if available.
Agency Commissions	The commissions paid to advertising agencies for their service of placing print advertisements.
Discounts, Rebates & Other Adjustments	All deductions from gross revenue that lead to net advertising revenue.
Net Advertising Revenue	Advertising revenue after the deduction of agency commissions, discounts, rebates, and adjustments.
Digital Advertising	Total net revenue related to sponsorships and online advertisements generated from magazine branded web sites and affiliated web sites.
Gross Subscription Revenue	Subscription revenue on a “when earned” (sometimes referred to as “accrued” or “deferred”) gross basis – i.e., the amount paid by the subscribers after deductions for refunds on cancellations and losses on charged orders not collected. Commissions to subscription agencies are not deducted from this figure, as these payments are treated as circulation expense.
Gross Digital Generated Subscription Revenue	Total gross revenue related to subscription revenue to the print product generated from magazine branded web sites and affiliated web sites.
Gross Single Copy Revenue	Gross revenue received from single copy sales is based on the total amount paid by the consumer. This total reflects actual sales closed out plus deliveries, less estimated return for issues which were not yet closed out. This figure includes bulk and single copy sales.
List Rental Revenue	Income from rental of names and addresses of subscribers to other organizations.

Expenses

Advertising

Selling Costs: Print and Digital	All salaries, fringe benefits, bonuses and commissions of sales staff (including branch office staff), their travel and entertainment expenses, commissions to
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outside sales representatives and cost of sales force conventions, rent and other departmental expenses distinguished between print and digital products.

Research and Promotion Costs Salaries, fringe benefits, bonuses, rent and other departmental expenses of promotion and research staff, cost of magazine advertising designed to promote the magazine as an advertising medium, complimentary list copies, presentations and sales aids, advertising research, merchandising and value added services to advertisers.

Circulation

Commissions to Subscription Agents Commissions and expense allowances paid to or retained by subscription agencies for the sale of magazine subscriptions, computed on a “when earned” or “accrued” basis in proportion to gross subscription revenue recognized as income.

Subscription Promotion Costs **Traditional Sources** All costs of preparing, printing and mailing (excluding postage) new, renewal, collection and other subscription promotion pieces, including paper costs. This expense also includes the cost of insert cards bound and blown into the magazine, cost of mailing lists, promotional material for use by catalog and field agencies and departmental expenses, such as salaries, fringe benefits, bonuses, rents and commissions of publishers’ own subscription promotion staff. Also included in this cost line is TV, cable, radio and other advertising for subscriptions.

Digital Sources All costs of promoting and/or renewing print subscribers through digital sources. Commissions and expense allowances paid to or retained by subscription agencies should be included in Commissions to Subscription Agencies.

Fulfillment Costs Costs of opening subscription mail, processing orders, handling subscription cash, keeping records on subscription income, collections and agents. This line item also includes maintenance of subscription files and order entry, handling complaints and correspondence, ABC/BPA records and general fulfillment office routine. Additionally, this cost item comprises preparation of mailing labels, renewal addressing operations, computer and equipment rentals and fulfillment department supplies distinguished between print and digital products. If any or all fulfillment services are performed by a fulfillment agency, charges by the agency are also included in this cost item.

Single Copy

Single Copy Costs This cost item includes all commissions, brokerage fees and retail display allowances paid to or retained by national distributors, wholesalers and retail outlets in the sale of single copies.

Single Copy Promotion Costs All salaries, fringe benefits, bonuses, travel expenses of those engaged in single copy promotion (includes consultants), cost of racks and display equipment, cost of media, advertising and printed matter to promote single copy sales and cost of sales meetings, rent and other departmental costs.

Editorial Costs

Manuscripts and Art All costs related to the intellectual production of magazines distinguished between print and digital products, including costs for used and unused manuscripts, photos, illustrations, designs and artwork. This cost center also includes photo research fees, kill fees and all expenses directly related to the creation of photo images, such as film and processing, models and stylists, hair and make-up, equipment and studio rental, photography assistants, travel expenses for freelance staff, location fees, and props.

Also includes all content creation costs for magazine branded web sites.

Other Editorial Department Costs Salaries and fringe benefits of editorial executives, editors, writers, editorial assistants, researchers and clerical personnel, art executives, art directors, picture editors, artists, photographers and any other departmental assistants distinguished between print and digital products. Also included in this line item are outside mechanical and layout artists, editorial services such as retainers, stringers and consultants, as well as any other outside help used to supplement the internal editorial staff.

This line item comprises all costs incurred that relate directly to the functioning of the editorial team, such as staff travel and entertainment, rent, reference books and subscriptions, on-line services, stationary and supplies (including art and photographic supplies), messenger and delivery service and any other direct departmental costs. This line item also includes editorial research costs initiated by the editorial department, such as readership studies, outside surveys and technical testing.

Also includes all other editorial costs for magazine branded web sites.

Manufacturing and Production²

Paper Costs Cost of paper used in publishing magazines, including delivery and storage charges.

Printing and Binding Costs All printing charges, including the cost of editorial and advertising separations, typesetting, engraving, ink, printing, cutting, folding, gathering, binding and

² Note to publishers: for those who do not break out production costs by category, allocate your total production costs among paper costs and printing and binding costs based on your estimates of each of these categories.

trimming. This cost item also includes internal production department costs, such as salaries, fringe benefits, bonuses and related travel expenses.

Also includes all direct costs related to the production of magazine branded web sites (i.e., software, hosting, and other related costs).

Distribution

Second Class Postage Costs The amount of postage paid to distribute magazines to subscribers.

Other Subscription Distribution Costs Expenses, other than postage, incurred in the distribution of magazines to subscribers, such as wrapping, freight, transportation of copies to postal entry points and any incidental charges. This line item also includes the cost of private delivery programs.

Single Copy Distribution Costs Expenses similar to those listed for subscription distribution, but incurred in the distribution of single copies to wholesalers, break-up agents, retailers and others.

Other Postage Costs

First Class Postage Costs The amount of postage paid primarily for direct mail subscriber renewal efforts and the collection of subscription fees.

Third Class Postage Costs The amount of postage paid during the year for subscription mailing efforts.

Administrative & Other Operating Costs

All other costs, including administrative and other operating costs, general data processing, advertising bad debts, as well as overhead, accounting, auditing and legal costs pertaining to the publication of magazines, which have not been allocated or reported elsewhere in this questionnaire. Include corporate overhead and cost of the office of publisher, but do not include interest income or expense.

Supplementary Data

Advertising Pages Sold The total number of paid advertising pages sold for all issues during the year. This does not include in-house or public service advertising.

Editorial Pages The total number of editorial pages produced for all issues during the year.

Other Pages In-house, public service and other pages not included in ad or editorial pages above.

Total Number of Subscription Copies Delivered	Total number of copies mailed to subscribers, including bulk subscriptions, but not including samples, complimentary copies and other.
Total Subscriptions Generated by Controlled Web Sites	Total number of net paid print subscriptions generated from company controlled companion web sites or home pages.
Total Subscriptions Generated by Other Internet Activities	Total number of net paid print subscriptions generated from non-affiliated web sites or other Internet locations.
Total Single Copy Sales	Total number of copies sold through newsstands and other single copy retail outlets during the entire year. For issues not closed out, sales are estimated.
Total Single Copy Returns	Total number of copies returned by newsstands and other single copy outlets during the entire year. For issues not closed out, returns are estimated.
Other Copies	Those copies not included in above, such as printing overages, samples, and complimentary copies.

SURVEY PARTICIPANTS

Magazine publisher	Magazine title
Active Interest Media	<i>Backpacker</i>
American Express Publishing	<i>Departures</i> <i>Travel & Leisure</i>
Boy Scout's of America	<i>Boy's Life</i>
Crain Communications	<i>Advertising Age</i> <i>Automotive News</i> <i>AutoWeek</i>
Economist Group	<i>Economist</i>
Emmis Publishing	<i>Texas Monthly</i>
Forbes	<i>Forbes</i>
Hachette Filipacchi Media	<i>American Photo</i> <i>Boating</i> <i>Car & Driver</i> <i>Cycle World</i> <i>Elle</i> <i>Elle Décor</i> <i>Flying</i> <i>Home</i> <i>Metropolitan Home</i> <i>Popular Photography</i> <i>Premiere</i> <i>Road & Track</i> <i>Sound & Vision</i> <i>Woman's Day</i>
Hearst Corporation	<i>Country Living</i> <i>Esquire</i> <i>Good Housekeeping</i> <i>Harper's Bazaar</i> <i>House Beautiful</i> <i>Marie Claire</i> <i>Popular Mechanics</i> <i>Redbook</i> <i>Smart Money</i> <i>Town and Country</i>
Highlights For Children	<i>Highlights For Children</i>
Latina Media Ventures	<i>Latina</i>

Magazine publisher	Magazine title
LPI Media	<i>Advocate</i> <i>Out</i>
Martha Stewart Living Omnimedia	<i>Martha Stewart Living</i>
McGraw-Hill Companies	<i>Business Week</i>
Meredith Corporation	<i>Better Homes and Gardens</i> <i>Country Home</i> <i>Ladies' Home Journal</i> <i>Midwest Living</i> <i>More</i> <i>Successful Farming</i> <i>Traditional Home</i> <i>Wood</i>
National Geographic Society	<i>National Geographic</i> <i>National Geographic Traveler</i> <i>NG Kids</i>
Newsweek	<i>Newsweek</i>
Playboy Enterprises	<i>Playboy</i>
Reader's Digest Association	<i>Family Handyman</i> <i>Reader's Digest</i> <i>Reader's Digest Large Type</i> <i>Reader's Digest Selecciones</i>
Rodale	<i>Bicycling</i> <i>Men's Health</i> <i>Organic Gardening</i> <i>Prevention</i> <i>Runner's World</i>
Smithsonian Business Ventures	<i>Smithsonian Magazine</i>
Time	<i>Business 2.0</i> <i>Coastal Living</i> <i>Cooking Light</i> <i>Entertainment Weekly</i> <i>Essence</i> <i>Fortune</i> <i>Fortune Small Business</i> <i>Golf</i> <i>In Style</i> <i>Money</i> <i>People</i>

Magazine publisher	Magazine title
Time (<i>cont'd</i>)	<i>People Espanol</i>
	<i>Real Simple</i>
	<i>SI for Kids</i>
	<i>Southern Accents</i>
	<i>Southern Living</i>
	<i>Sports Illustrated</i>
	<i>Sunset</i>
	<i>Time</i>