

2008

The ABM Financial Trend Report

Three Year Analysis, 2005-2007



Prepared and Sponsored by
The Jordan, Edmiston Group, Inc

in cooperation with
Padin & Estabrook LLC



STATEMENT OF CONFIDENTIALITY

Confidentiality of Original Data The data contained in this Report was derived from an extract of the three most recent American Business Media, Inc. (ABM) Publishing Cost Reports (2005-2007), a series of reports prepared by Bay Sherman & Craig LLP. This Report titled "2008 ABM Financial Trend Report, Three-Year Analysis, 2005-2007" was compiled from surveys of members who submitted responses in each of the three years covered.

Opinions in this Report are those of The Jordan, Edmiston Group, Inc. (JEGI) and Padin & Estabrook LLC and do not necessarily reflect the opinions of ABM. All data and commentary should be viewed as directional and on an average basis, with consideration for the sample makeup.

It should be noted that no original survey data or any individual company data was shared with ABM, JEGI or Padin & Estabrook LLC.

A more detailed explanation of the original survey, compilation of results, and definitions used by Bay Sherman & Craig LLP may be found in the actual Publishing Cost Reports.

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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.

For more information, please contact Adam Gross, Vice President, JEGI at 212-754-0710 or adamg@jegi.com or visit JEGI's web site: www.jegi.com.

About Padin & Estabrook LLC In preparing this Report, JEGI was assisted by Padin & Estabrook LLC ("P&E"), which was established in 2003 by Ed Padin and Rick Estabrook, former consultants with The Publishing & Media Group. P&E provides strategic and operational solutions aimed at enhancing profitability in all dimensions of print, electronic and digital media, with particular focus on consumer and business media companies. Their work also includes pre-acquisition evaluation of publishing/information markets and targets for the investment community.

For more information on P&E, contact Ed Padin at (914) 834-8286.

Statement of Methodology **Average Publication** This Report is based on the "Average Publication", which comprises a weighted average of each data point provided by 18 B2B media companies across 118 B2B publications, which includes a mix of large and small revenue magazines. As such, it is recommended that users of this Report consider the sample makeup, when viewing the figures relative to their own publications.

Commentary provided for each section was drawn from JEGI's and P&E's B2B media industry experience, along with a number of conversations with key industry CEOs and other industry experts.

Wherever data was either not reported or appeared incorrect, adjustments were made and noted in the financial statements at the end of each section.

OVERVIEW

The 2008 ABM Financial Trend Report

As of the date of this Report, B2B publishers are positioning their businesses to face the challenges of the current economy. Their work to evolve and integrate their range of products during the recent economic growth period has ensured that B2B publishing companies are better prepared for the challenges of the next twelve months and beyond. Although inevitably historical by its nature, the 2008 ABM Financial Trend Report provides its readers (the B2B media community) with thought provoking commentary that should help them survive and thrive in the year ahead.

B2B publishers continue to evolve toward an integrated media model, providing a full range of options to marketers, and timely, must-have information to their communities.

The business-to-business (B2B) media industry has undergone radical transformation in the past decade, an evolution that continued across the three years of this Report (2005-2007 or the “Period”) and has shown no signs of abating. The proliferation of media consumption options has presented B2B communities with new, expanding, rapid and valuable access to the information they need to compete.

In response to the above, B2B media brands have refined their business models to profitably serve these communities, based largely on their print publications and augmented by electronic options that offer both opportunities and challenges. B2B media companies are repositioning their offerings and brands from distinct content channels to branded portfolios, integrated and optimized around the information needs of the audience and the business goals of marketers.

Industry leaders affirm that success in integrating media must come from understanding customers’ marketing needs.

While the integrated media model is not new to B2B publishing, it has taken time to develop into a valued and profitable business strategy. While many industry leaders see progress in achieving the ideals of integration, they also believe more effort is needed. “The industry has a long way to go to make this work,” said Greg Farrar, President and CEO of Nielsen Business Media. “Each publisher has got to continually try to understand its audience’s wants and needs, how it prefers to have that information delivered, and the optimal timing of that information. Once the industry truly becomes focused on that set of issues, the integrated model will finally live up to its potential.”

Understanding audience needs ultimately drives advertising revenue across channels. Peter Goldstone, President of Hanley Wood Business Media, believes, “Integration works best when it is directed by the customer. As important, it is driven by customers who know how to evaluate and buy integrated solutions. We are going to market in a much more strategic way, learning our customers’ larger marketing goals and building programs to meet them. Customers are much more sophisticated about their multi-channel options, and media companies have had to become more accountable for what they sell.”

Looking ahead, success in integrating media channels presents new revenue opportunities beyond the current advertising model. Tim Weller, Group Chief Executive of Incisive Media, offers examples of new streams, “Although we have an integrated model in print, in person and online, we are still working to create the ideal revenue mix for the business. Moving forward, our strategy will migrate from simply connecting buyers and sellers to offering solutions that get us into the workflow, where we can not only facilitate a transaction but potentially participate in the revenue of that transaction.”

Print remains the foundation, but its role is changing as it shares more budget dollars with other media channels.

In the midst of this evolution, print remains the flagship channel of these B2B media brands. During the Period, B2B print magazines continued to deliver significant contribution and healthy margins to publishing companies. In 2007, print advertising provided 84% of the average B2B publication’s revenue, a share that has held relatively steady over the Period. The CEOs interviewed for this Report continue to view print as a key driver of revenue and see it maintaining a vital role in their integrated media models. “Print’s role is wholly dependent on the relevance of its content,” said Greg Watt, President and CEO of Watt Publishing Company. Mr. Watt defines “relevance” in terms of the information that print delivers. In the context of a branded mix of channels, he considers “print to be the starting point in the audience’s learning, after which it goes to the web to find out more.”

Evolving print’s relevance is a key objective of B2B media brands. Gary Fitzgerald, Chairman and CEO of Meister Media Worldwide and Chairman of ABM, said, “The magazine of tomorrow will have to be much more dynamic and have a feeling of ongoing change.” Mr. Fitzgerald acknowledges this is a challenge as print brands want to present a consistency in their relationship with their communities. He continued, “Do magazines need to have the same sense of urgency as these newer media? That’s a fundamental question.”

As the role of each media channel evolves, print has the unique opportunity to leverage its long-standing relationships in the B2B world. According to Mr. Weller, “The challenge for print is to ensure that its content becomes more discursive, more analytical, and more thought-provoking, delivering more opinion and being more of a voice to the markets served.”

Each of these observations reflects print’s place in the larger, mixed media landscape. “The future of print,” according to Mr. Goldstone, “will depend not on how it works separately from other channels, but how they each work together, creating and facilitating a deeper conversation.”

Looking at total revenue contribution from all reported media sources, print’s share was 66% in 2007, off by a few percentage points versus 2006 and 2005, but still the industry’s key profit contributor. In contrast, the contribution from digital channels is 15% in 2007, up four percentage points over 2006, but flat compared to 2005, despite double-digit revenue growth.

The remainder of revenue and contribution came from ancillary sources, defined as licensing fees, royalties, collateral spin-off products, list rentals, and various services. Ancillary margin, which is traditionally high for the average B2B publication, increased throughout the Period in this Report. Ancillary revenue, however, declined across the Period.

To command premium rates in a slow economy, B2B publishers must highlight the value of their integrated media solutions.

With advertising driving overall revenue, the recent stagnancy of marketers' ad budgets places increasing priority on controlling costs to maintain contribution margins. In this Report, the relative success in controlling costs has helped enhance profitability, the ultimate business goal for all business publishers. Despite the challenging business environment, many media brands have succeeded in earning higher advertising page rates. In 2007, ad pages declined, but net revenue per page increased. This is a tough environment for raising prices, but the B2B magazine brands delivering the highest value to B2B marketers are achieving higher yields. "Marketers who see the value are willing to pay more," said Mr. Farrar, "That's why the lower-priced options don't do well – the marketer doesn't see the results."

Value in this sense is not derived solely from the brand's print, online or event offerings individually, but from the integrated marketing solution that draws on any and all of them. "This gets back to the importance of the integrated model," said Mr. Goldstone, "Where the integrated package is powerful, the resulting media value is higher, and we expect a premium for that value."

Premium value can be hard to measure and for some is best demonstrated in a new approach to dialogue with their customer. Mr. Watt has seen very satisfactory increases in his 2008 net revenue per page, and he attributes this to "our consultative approach to our customers. We've increased our skill sets for presenting and selling the complete package."

Mr. Fitzgerald emphasizes another layer of value for his customers. "It's a little early to tell, but we think a focus on innovation and new ideas will actually perform better in the current economy, where clients are more demanding and selective, but also more willing to dedicate a larger share of their marketing dollars to brands delivering added value." There's a dividend in reaching for this incremental value," Mr. Fitzgerald said, "It establishes a growth mantra for the organization, even in challenging times."

Growth will come from many directions, including online, new products and services, and acquisitions for those with strong balance sheets and access to capital.

The outlook beyond 2008, as derived from the executive interviews, is conservative for the coming year, but positive for the long-term. Coming out of the current economic slowdown, growth is expected to accelerate among the non-print channels, notably online and events, but also from areas that show the dynamic nature of innovation in B2B media. For example, Mr. Watt's growth plan includes data packaging, consulting, workflow solutions, and customized subscription products for the audience.

Growth has historically included an ongoing acquisition program, but doing so requires critical timing in identifying the right fit, targeting the right companies, and integrating acquisitions efficiently. Organic growth is important in the current economy, but acquisitions of high-quality companies will continue to play a parallel role to organic growth.

Stepping back from these executives' various strategic plans, it is clear that more is evolving than the roles of individual channels – the basic relationship between B2B media companies and their customers is shifting from buyer/seller to marketer/solutions provider, with a consultative relationship as the foundation and a custom-built integrated media package as the deliverable.

SUMMARY OF RESULTS

Revenue Total revenue from all branded sources was relatively flat across the Period. In 2007, the average publication generated \$5.47 million in total revenue, a slight decline of (0.4%) versus 2006, but even with 2005.

Advertising revenue In 2007, net advertising revenue totaled \$4.11 million for the average publication, a decline of (1.8%) from the Period high of \$4.19 million recorded in 2006, and slightly below the \$4.15 million posted in 2005, yielding a compound annual growth rate (CAGR) of (0.5%) overall.

This decline hit both display and classified ad sources. Within display, a 5.2% decline in ad pages was primarily responsible for the revenue decline. However, price increases helped avoid a steeper financial loss, as net ad revenue per ad page reached a Period high of \$6,250 in 2007, rising 3.6% above 2006 levels. Classified advertising declined by a steeper rate of (8.3%) than display advertising in 2007, and the share of ad revenue from classifieds decreased steadily over the Period, as online presented a more effective option for this type of advertising.

Circulation revenue The pressure to maintain print circulation continued as the expansion of online information resources eroded readers' need for paid subscriptions to B2B print magazines. In 2007, total circulation receded (2.9%) below its Period peak in 2006; at 44,952, however, this average audience was still above the 43,207 recorded in 2005. Circulation revenue also declined, although it was sustained slightly by a continuing rise in single-copy sales, which increased 40.4% in 2006 and another 6.3% in 2007. Subscriptions accounted for 98% of circulation revenue, and circulation revenue accounts for just under 9% of total publication revenue.

The decline in circulation revenue led to a drop in circulation contribution. In 2007, this important profit source fell (8.8%) versus 2006 to \$132,000, with contribution margin decreasing as well from 29.5% to 27.3%. Since 2005, circulation contribution has receded (12.3%) and margin has eroded by 6.7 percentage points.

Total ancillary revenue Publications generate healthy revenue and attractive margins through licenses, collateral products, list rentals and various services. With a relatively low cost of delivery compared to other sources, ancillary revenue generally has very high margins. Thus, it is with some concern that this Report notes a double digit decline in 2007 ancillary income, which fell (11.6%) versus 2006.

Key Average Revenue Statistics per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Advertising revenue	\$4,149	\$4,186	\$4,110	-0.5%	-1.8%
Change vs. year ago		0.9%	-1.8%		
% total revenue	75.9%	76.2%	75.2%	--	--
Circulation revenue	\$504	\$489	\$482	-2.2%	-1.3%
Change vs. year ago		-3.0%	-1.3%		
% total revenue	9.2%	8.9%	8.8%	--	--
Total ancillary revenue	\$407	\$409	\$361	-5.8%	-11.6%
Change vs. year ago		0.4%	-11.6%		
% total revenue	7.4%	7.4%	6.6%	--	--
Total revenue	\$5,467	\$5,490	\$5,468	0.0%	-0.4%
Change vs. year ago		0.4%	-0.4%		

Operating Expenses **Total operating expenses** In 2007, the expense line for all reported publishing operations showed some good news, a one-year decline of almost 1% and a modest CAGR of 2.0%. Most of these savings came from Advertising, Production, and Ancillary budgets.

Advertising expense Advertising expense is the second largest cost for the average publication, after Editorial costs. Within advertising expense, the cost to generate sales is the single largest item. In 2007, publishers reduced selling expenses for both staff and outside resources, cutting in-house costs by (0.4%), while significantly reducing their reliance on outside reps by almost (25%). In combination, total sales expenses were reduced by (2.5%) in 2007, netting \$550,000 on average.

In addition, other advertising related costs were also reduced, falling (4.4%) to \$244,000, following a one-year leap of 17.1% in 2006, a peak for the Period. These non-specific costs include T&E and related expenses to supporting the ad sales department.

Circulation expense The ongoing effort to acquire and hold a competitive circulation base presented a difficult cost challenge during the Period. Audience totals were not growing, but the cost to reach, persuade, and maintain them was increasing, largely because of external factors, such as postal rates. In 2007, total circulation costs rose 1.8% over 2006, and 2.7% for the Period.

Publishers controlled the internal costs for the circulation department, with staff expense declining (2.9%) from 2006, netting a decline of (0.7%) for the department. Together, circulation promotion and postage expenses grew 14.4% in 2007. Alternately, fulfillment costs declined in 2007 by (9.6%), offsetting the impact of promotion and postage, but not enough to negate a 6.1% rise in total subscription costs in 2007, which peaked at \$134,000. For the Period, total subscription costs rose 10.7%.

In combination, total circulation increased 1.8% in 2007 and 2.7% for the Period. The expense to maintain the audience base and to generate circulation rose, with an eroding effect on circulation contribution which decreased in every year covered by this Report.

Editorial expense With increasing demand for content spread across both print and electronic media channels, the cost of editorial development increased during the Period. This expense grew 1.2% in 2007, reaching a Period high of \$1.16 million for the average publication. This followed a 5.3% spike in editorial expense in 2006, resulting in a 2005-2007 CAGR of 3.2%.

The only editorial costs that increased were for staff and outsourced content, which rose 3.6% and 2.6%, respectively, in 2007. Over the Period, these costs grew by a CAGR of 4.6% for the staff and 4.1% for freelance content. With declining total page output, these rising expenses also caused the cost per edit page and the total cost per average issue to rise.

This increase reflected a pattern of reorganization and optimization in the editorial department. Interviews with key B2B Media executives reveal sweeping change: the traditional titles and boundaries demarcating print from online and other applications are being erased in favor of the more universal “content creation.”

“Our editors are accountable for content going out to all channels,” said Mr. Weller, “including conferences and forums. Our challenge is to change the culture and mindset of our editors to operate as if they worked to deliver news as it happens, across a multiple of different channels.” This holistic approach is echoed by Mr. Goldstone, whose new editorial structure is team oriented, and the team is charged with more than content. “We have built brand-specific teams, assigning editors from print and online, making them accountable for content for any channel.”

In 2007, the cost per edit page rose 2.6%, and the edit cost per average issue went up 1.6%. Since 2005, these metrics increased by 4.1% and 4.0%, respectively. As mentioned, however, the expense of creating content is allocated to both print and digital media; thus, the impact of these expense increases must be viewed in that larger context.

Production expense The average publication reduced its print volume in several ways since 2005, with commensurate effect on the cost of production. The average number of issues per publication was 18.8 in 2005 and 18.5 by 2007. The average press run and the total pages per publication also declined, by (3.5%) and (6.9%), respectively, for 2007 alone, significantly reducing the cost of manufacturing.

The costs of paper, printing and binding each recorded sizeable one-year decreases in 2007, with paper down (8.6%) and printing and binding down (5.8%), netting a healthy (6.9%) decrease in total manufacturing costs. Concurrently, in-house expenses declined as well, falling (6.1%) for 2007 and at a (2.2%) CAGR for the Period.

Despite these reductions in absolute costs, some production efficiencies were lost, and the total cost per 1,000 pages has risen by 1.9% for the Period, from \$7.59 in 2005 to \$7.87 in 2007.

Distribution expense During the Period, fewer issues and fewer total pages were published, and in combination with a decline in circulation, the net volume factor on distribution also declined. Conversely, the USPS – still the primary distribution channel – has continued to increase second class postal rates since 2005. As important, fuel prices have continued their rapid ascent during the Period of this Report.

The net effect of declining volume shipped has outweighed these external cost increases in absolute dollars, but not in efficiency.

Total distribution costs declined by (0.8%) in 2007 against 2006, basically holding at \$474,000, and rising by only 0.6% for the Period. When factoring in the volume shipped, however, the distribution cost per copy and per million pages rose 2.5% and 5.8%, respectively, in 2007, negating efficiencies realized in the previous year.

In the most recent economic environment, oil prices have receded dramatically, but the likelihood of continuing postal rate increases is reasonably high.

Key Average Operating Expense Statistics per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Advertising expense	\$956	\$990	\$968	0.6%	-2.2%
Change vs. year ago		3.6%	-2.2%		
Circulation expense	\$333	\$345	\$351	2.7%	1.8%
Change vs. year ago		3.6%	1.8%		
Editorial expense	\$1,085	\$1,142	\$1,156	3.2%	1.2%
Change vs. year ago		5.3%	1.2%		
Production expense	\$774	\$788	\$741	-2.2%	-6.1%
Change vs. year ago		1.9%	-6.1%		
Distribution expense	\$468	\$477	\$474	0.6%	-0.8%
Change vs. year ago		2.1%	-0.8%		
Total ancillary expense	\$143	\$125	\$92	-19.8%	-26.3%
Change vs. year ago		-12.6%	-26.3%		
Total operating expenses	\$3,931	\$4,124	\$4,091	2.0%	-0.8%
Change vs. year ago		4.9%	-0.8%		

Contribution Total revenue declined a modest (0.4%) in 2007, while total costs were reduced slightly more, (0.8%) versus 2006, yielding a total contribution for the average publication of \$1.38 million on gross revenues of \$5.47 million. In 2006, contribution declined significantly compared to 2005, the result of flat revenue and an almost 5.0% increase in costs. In comparison, total contribution margin of 25.2% in 2007 is three percentage points higher than in 2006, with total contribution rising 0.8% for those 12 months.

Contribution per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Contribution (000)	\$1,536	\$1,366	\$1,377	-5.3%	0.8%
Change vs. year ago		-11.1%	0.8%		
Contribution margin	28.1%	24.9%	25.2%	--	--

ADVERTISING

Ad Revenue Total print advertising revenue for the average publication receded in 2007, although by only (1.8%) reflecting the continuing shift of advertising dollars from print to electronic and other media channels. At \$4.11 million, average ad revenue has held relatively steady since 2005, as reflected by a three-year CAGR of (0.5%).

Display advertising slid by (1.4%) in 2007 to \$3.88 million; this followed a 0.9% increase in 2006 and culminated in a CAGR of (0.3%) for the Period. Display advertising has historically accounted for the dominant share of total ad revenue, and in the most recent three years, this share increased by half a percentage point from 94.0% in 2005 to 94.5% in 2007. Most of the revenue loss across the Period came from classified advertising, which fell sharply in 2007, down (8.3%), to an average of \$228,000. The effectiveness of classified advertising in electronic media is more easily and readily measurable, contributing to this decline.

Advertising in 2007 provided 75.2% of total publication revenue, a one point decline in share versus 2006 and seven tenths of a point off its share in 2005.

Key Advertising Revenue Statistics per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Net display advertising revenue	\$3,901	\$3,937	\$3,881	-0.3%	-1.4%
Change vs. year ago		0.9%	-1.4%		
% total advertising revenue	94.0%	94.1%	94.5%	--	--
Net classified advertising revenue	\$248	\$249	\$228	-4.1%	-8.3%
Change vs. year ago		0.3%	-8.3%		
% total advertising revenue	6.0%	5.9%	5.5%	--	--
Total net advertising revenue	\$4,149	\$4,186	\$4,110	-0.5%	-1.8%
Change vs. year ago		0.9%	-1.8%		
% of total revenue	75.9%	76.2%	75.2%	--	--
Net ad revenue/ad page (not 000)	\$6,068	\$6,032	\$6,250	1.5%	3.6%
Change vs. year ago		-0.6%	3.6%		

Ad Page Statistics Paid advertising pages dropped (5.2%) below the three-year high of 694 recorded in 2006. An average of 658 pages was sold in 2007, marking a three-year CAGR of (1.9%). The average number of advertising pages per issue held steady across the Period, hovering at the 36-37 page level. The average issues published per publication continued to slip, from 18.8 in 2005 to 18.5 in 2007, accounting in part for the decline in total advertising pages.

Key Advertising Page Statistics per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Total ad pages sold	684	694	658	-1.9%	-5.2%
Change vs. year ago		1.5%	-5.2%		
Average ad pages per issue	36	37	36	-1.2%	-4.9%
Change vs. year ago		2.6%	-4.9%		

Note: The trending of these B2B advertising sales results is similar in direction to numbers that BIN has reported for the entire industry. BIN reported a decline in pages in 2007 vs. 2006 of (3.4%) and in revenue of (2.0%). This Report and BIN drew from a different pool of sources: this Report was based on the actual results provided by the 118 B2B magazines participating in this survey; BIN conducted a monthly hand-count of the ads appearing across all the B2B publications BIN reviews for its 22 business categories, with revenue estimated at rate card pricing from the magazine in which the ad appeared.

Ad Expenses The cost of generating ad sales declined in 2007, primarily in commissions paid to outside sales reps. Total sales representation expense fell by (2.5%) in 2007, decreasing from \$564,000 in 2006 to \$550,000 in 2007. This expense declined across both salaried and outside selling efforts.

The costs from this department will likely shift in the near future, if the heavy emphasis on consultative selling, as highlighted by the interviewees for this Report, is widely adopted. To succeed, publishers must become solution providers, with in-depth knowledge of how their integrated properties can be best allocated to the marketer’s larger objectives. This will require new skills, training, and perhaps most challenging, a new perspective from their marketer clients. “We’ve had to retrain, bring in new talent, and in some cases, trim our ranks,” said Greg Watt, “and it has taken a lot of shoe leather on my part to get marketers to think of us this way.”

Tim Weller agreed: “We are relying more on senior people and we are recruiting for that kind of expertise. As there is an increasing convergence between technology and content, it is likely that these individuals will have significant technology skills.”

In-house staff selling costs declined slightly (0.4%) in 2007, to \$512,000. This decline followed an increase in 2006 of 1.6%, and remains above the \$505,000 reported for 2005, yielding a Period CAGR for salaried staff of 0.6%. The key move to control selling costs targeted outside selling sources; these expenditures declined by almost (25%), from \$50,000 in 2006 to \$38,000 in 2007, and well below the \$47,000 reported in 2005. This sharp drop reflected a marked reversal from 2006 when commissions paid to non-staff reps rose by 6.6%.

Key Advertising Sales Expense Statistics per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Sales salaries and commissions	\$505	\$514	\$512	0.6%	-0.4%
Change vs. year ago		1.6%	-0.4%		
Outside rep commissions	\$47	\$50	\$38	-10.2%	-24.3%
Change vs. year ago		6.6%	-24.3%		
Total sales expense	\$553	\$564	\$550	-0.3%	-2.5%
Change vs. year ago		2.0%	-2.5%		
% of total advertising expenses	57.8%	57.0%	56.8%	--	--

Sales support expenses include promotion and research materials, as well as the staff to create these tools. Here again, publishers reduced staff in 2007 to protect contribution, as this group's cost had inched upward since 2005. Promotion and research staff expenses totaled \$38,000 in 2007, representing a cut of almost (5.0%) below 2006 levels.

The cost of promotion and research materials grew 4.0% in 2007 but, at \$136,000, remained well below the \$149,000 recorded in 2005, resulting in a cost-saving CAGR of (4.3%). In total, all marketing support expenses for the Period declined (3.0%), despite a 2.0% rise in 2007.

Key Promotion and Research Expense Statistics per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Promotion and research costs	\$149	\$131	\$136	-4.3%	4.0%
Change vs. year ago		-12.0%	4.0%		
Promotion and research staff	\$36	\$40	\$38	2.4%	-4.8%
Change vs. year ago		10.2%	-4.8%		
Total promotion and research costs	\$185	\$171	\$174	-3.0%	2.0%
Change vs. year ago		-7.7%	2.0%		
% of total advertising expenses	19.3%	17.2%	18.0%	--	--

Other Key Advertising Expense Statistics per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Other advertising expenses	\$218	\$255	\$244	5.8%	-4.4%
Change vs. year ago		17.1%	-4.4%		
Total advertising expenses	\$956	\$990	\$968	0.6%	-2.2%
Change vs. year ago		3.6%	-2.2%		
% of total publication expenses	24.3%	24.0%	23.7%	--	--
Ad expenses as % of ad revenue	23.0%	23.7%	23.6%	--	--
Ad expense per ad page (not 000)	\$1,398	\$1,427	\$1,472	2.6%	3.2%
Change vs. year ago		2.1%	3.2%		

Net Advertising Statistics and Contribution The net ad revenue per ad page increased to \$6,250 during the Period, rising 3.6% in 2007 over 2006 levels. Concurrently, net ad expense per ad page has risen 3.2% in the past year to \$1,472.

In combination, these various factors yielded an average advertising contribution of \$3.14 million and a contribution margin of 76.4%. Net contribution was (1.7%) below the \$3.19 million recorded in both 2006 and 2005, for a CAGR of (0.8%), and the 2007 margin rose one tenth of one point above previous year.

Advertising Contribution per Publication					
				2005-2007	2006-2007
(000)	2005	2006	2007	CAGR	% change
Total advertising contribution	\$3,193	\$3,196	\$3,141	-0.8%	-1.7%
Change vs. year ago		0.1%	-1.7%		
Circulation margin	77.0%	76.3%	76.4%	--	--

CIRCULATION

Circulation Revenue Print circulation revenue declined in each year of the Period. At \$482,000 in 2007, total circulation revenue fell (1.3%) compared to a year ago and (2.2%) since 2005. Total circulation per issue for these three years grew and then receded, but at 44,952 average circulation in 2007 is still above the 43,207 recorded in 2005. In 2006, average circulation rose 7.1% year over year, but declined (2.9%) since then.

Key Circulation Statistics per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Average issues per publication	18.8	18.6	18.5	-0.7%	-0.4%
Change vs. year ago		-1.1%	-0.4%		
Total circulation/issue	43,207	46,289	44,952	2.0%	-2.9%
Change vs. year ago		7.1%	-2.9%		

This revenue decline was wholly attributable to subscription losses, as single copy sales rose since 2005. Year-to-year subscription sales slid (1.5%) in 2007 to \$471,000, a (2.6%) CAGR versus 2005, falling from a peak for the Period of \$496,000.

Despite being less than 3% of total circulation revenue, single copy sales grew 22.2% since 2005, reaching \$11,000 for the average publication. The largest increase came in 2006, but another 6.3% rise was noted in 2007. Circulation revenue contributed less than 9.0% of total publication revenue; in 2007, this share slipped a tenth of a point to 8.8%.

Key Circulation Revenue Statistics per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Gross subscription revenue	\$496	\$479	\$471	-2.6%	-1.5%
Change vs. year ago		-3.6%	-1.5%		
% of total circulation revenue	98.5%	97.9%	97.7%	--	--
Gross single-copy revenue	\$7	\$10	\$11	22.2%	6.3%
Change vs. year ago		40.4%	6.3%		
% of total circulation revenue	1.5%	2.1%	2.3%	--	--
Total circulation revenue	\$504	\$489	\$482	-2.2%	-1.3%
Change vs. year ago		-3.0%	-1.3%		
% of total publication revenue	9.2%	8.9%	8.8%	--	--

Circulation Expenses Total circulation costs continued to rise in 2007, albeit modestly, at 1.8% over 2006 and 2.7% across the Period. There were significant, ongoing shifts within the circulation cost structure, however. Subscription costs, comprised of promotion/postage and fulfillment costs, posted a one-year rise of 6.1% in 2007, reaching a Period high of \$134,000 in 2007. In combination, the escalating costs

of promotion (to help publishers stay competitive) and postage (with direct mail as a primary marketing channel) accounted for this rise, consistent with increases detailed in previous years. In contrast, fulfillment expense recorded a deep decrease, also extending its recent trend.

Key Circulation Expenses per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Circulation promotion/ postage	\$32	\$82	\$94	72.2%	14.4%
Change vs. year ago		159.2%	14.4%		
Fulfillment costs	\$77	\$43	\$39	-28.7%	-9.6%
Change vs. year ago		-43.8%	-9.6%		
Total subscription costs	\$109	\$126	\$134	10.7%	6.1%
Change vs. year ago		15.4%	6.1%		
% of total circulation costs	32.8%	36.5%	38.1%	--	--

Promotion and postage increased 14.4% to \$94,000, reflecting efforts to stem a softening subscriber base and USPS price hikes. In contrast, fulfillment costs fell (9.6%), a result of ongoing improvements in file management and more favorable fulfillment contract negotiations.

The second major factor in circulation expense was the cost for departmental staff, which decreased fractionally across the Period. Actual departmental salaries and benefits decreased (2.9%) to an average of \$97,000 in 2007. This followed a doubling of staff costs in 2006 vs. 2005, as circulators rebuilt departments to support subscriber marketing. As important, many circulation departments emphasized an expertise in database management over more traditional circulation marketing skills, requiring a shift in hiring strategy.

Other circulation costs, an expense line item that includes unallocated expenses, rose slightly in 2007, but was well below its peak of \$177,000 in 2005, decreasing by a CAGR of (17.4%).

Key Circulation Departmental Expenses per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Circulation staff/fringe benefits	\$47	\$99	\$97	44.0%	-2.9%
Change vs. year ago		113.7%	-2.9%		
Other circulation costs	\$177	\$119	\$121	-17.4%	1.2%
Change vs. year ago		-32.6%	1.2%		
Total circ departmental costs	\$224	\$219	\$217	-1.4%	-0.7%
Change vs. year ago		-2.2%	-0.7%		
% of total circulation costs	67.2%	63.5%	61.9%	--	--
Total circulation costs	\$333	\$345	\$351	2.7%	1.8%
Change vs. year ago		3.6%	1.8%		
% of total publication costs	8.5%	8.4%	8.6%	--	--

Summing all costs for circulation, this expense category was held in relative check across the Period, reaching a high in 2007 of \$351,000, but rising by only 2.7% between 2005 and 2007.

As a function of total publication costs, circulation's share remained steady in the 8.4% to 8.6% range over the Period, rising only two tenths in 2007.

Circulation Contribution Despite their best efforts to staunch subscriber decline and control costs, circulation departments saw total circulation revenue recede each year of the Period, with resultant contribution declines. In 2005, circulation contribution totaled \$171,000, delivering a departmental margin of 34.0%. Contribution declined in 2006 to \$144,000, representing a margin loss of 4.5 percentage points. It fell again in 2007 by (8.8%) to \$132,000 with margin declining another 2.2 percentage points. Thus, circulation contribution fell by a CAGR of (12.3%) for the Period.

Circulation Contribution per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Total circulation contribution	\$177	\$144	\$132	-12.3%	-8.8%
Change vs. year ago		-18.6%	-8.8%		
Circulation margin	34.0%	29.5%	27.3%	--	--

EDITORIAL

Editorial Statistics The average publication's editorial output held steady across the Period at 46 pages per issue. However, with the gradual decline of average issues per publication, total editorial pages per year decreased modestly, at (1.4%) in 2007. The resulting ad-to-edit ratio declined as well, slipping from 47.1% in 2005 to 45.9% in 2007.

A total of 908 editorial pages were published in 2007, down (2.1%) from 2006, but only (0.4%) since 2005, reflecting a one-year high in 2006 of 928 pages. With average issue folio sizes holding between 85 and 87 pages for the Period, a decrease in total pages again reflected the pullback from 18.8 to 18.5 average annual issues per publication since 2005. Total pages for 2007 include 61 "other" pages, defined as those not relating to advertising or the formal editorial mission of a given publication, which decreased (11.4%) from 2006, but still remained above the 55 recorded in 2005.

Key Editorial Statistics per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Editorial pages	861	859	847	-0.9%	-1.4%
Average edit pages per issue	46	46	46	-0.1%	-1.0%
Change vs. year ago		0.8%	-1.0%		
Editorial pages as % of total pages	53.8%	52.9%	54.1%	--	--
Other pages	55	69	61	6.1%	-11.4%
Average other pages per issue	3	4	3	6.9%	-11.1%
Total edit pages produced	916	928	908	-0.4%	-2.1%
Average folio size	85	87	85	-0.3%	-3.1%
Change vs. year ago		2.5%	-3.1%		

Editorial Departmental Expenses Editors succeeded in controlling their expenses during this Period. Total editorial costs rose only 1.2% in 2007, reaching a peak of \$1.16 million. This followed a one-year spike in 2006 of 5.3%. Virtually all increases in editorial costs came from increased salaries and benefits to staff; most other cost factors either declined or rose only slightly.

As demand for content expanded to cover additional media channels, the ranks of personnel needed to meet that demand also grew. Editors had been using reporters for both print and electronic media for some time. This practice has posed efficiency issues in creating distinct content customized for each channel, without creating distinct and duplicated editorial resources. In the Period between 2005 and 2007, a more optimal level and mix of staff was established: total editorial salaries and benefits rose, but not at the very costly rates seen five years ago. In 2007, the average magazine editorial staff expense reached \$760,000, rising 3.6% compared to 2005 and 4.6% as a CAGR. This was the

largest single expense for the department by far at 65.7% in 2007, a share that had risen moderately over the Period, rising one and one half points since 2005.

Key In-House Editorial Expenses per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Editorial salaries and fringe benefits	\$695	\$734	\$760	4.6%	3.5%
Change vs. year ago		5.6%	3.5%		

Key Outsourced Editorial Expenses per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Outsourced cost/edit page	\$1,260	\$1,331	\$1,366	4.1%	2.6%
Change vs. year ago		5.6%	2.6%		

Other editorial costs include those related to running the department, such as overhead and materials. This expense declined (3.1%) in 2007 to \$396,000, lower than 2006 but slightly higher than 2005, resulting in a CAGR of 0.8%.

Total editorial costs reached \$1.16 million in 2007, rising 1.2% against 2006, a year in which all editorial costs rose more aggressively. Total editorial costs increased over the Period by a CAGR of 3.2%

Net Editorial Expenses per Page

Given the decline in total page output, these rising expenses also resulted in increased costs per editorial page produced, as well as total editorial cost per issue. Concurrently, the editorial department's share of total publication expenses has crept higher as well.

The average publication spent \$1,366 to produce each page of editorial in 2007, a high for the Period, but only a slight increase of 2.6% over the \$1,331 recorded in 2006. As 2006 was a year of more aggressive cost increases, during which the cost per page average climbed 5.6% above the 2005 average of \$1,260. This pattern continued in the editorial cost per average issue. During the Period, this expense grew at a CAGR of 4.0%, reaching \$62,475 in 2007.

Key Editorial Expenses per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Other editorial costs	\$390	\$409	\$396	0.8%	-3.1%
Change vs. year ago		4.8%	-3.1%		
Total editorial costs	\$1,085	\$1,142	\$1,156	3.2%	1.2%
Change vs. year ago		5.3%	1.2%		
Edit cost per edit page (not 000)	\$1,260	\$1,331	\$1,366	4.1%	2.6%
Change vs. year ago		5.6%	2.6%		
Total edit cost/avg issue (not 000)	\$57,779	\$61,502	\$62,475	4.0%	1.6%
Change vs. year ago		6.4%	1.6%		
Edit as % total publication costs	27.6%	27.7%	28.3%	--	--

PRODUCTION

Production Statistics In line with reduced average issues published per year, which declined (0.4%) in 2007, production output statistics and resulting costs also decreased. The average press run per issue had fallen steadily since 2005, from a Period high of 63,755 in 2005 to 60,106 in 2007. This equaled a reduction of (3.5%) in 2007 and a CAGR of (2.9%) for the Period. Total pages produced also fell, at a more rapid pace in 2007, declining (6.9%) for the year. With average folio size holding steady across the Period, this reduction in average press run and total pages printed reflected a continuing effort to optimize production output to be more in line with circulation.

Key Production Statistics per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Average issues per publication	18.8	18.6	18.5	-0.7%	-0.4%
Change vs. year ago		-1.1%	-0.4%		
Average press run per issue	63,755	62,308	60,106	-2.9%	-3.5%
Change vs. year ago		-2.3%	-3.5%		
Average folio size	85	87	85	-0.3%	-3.1%
Change vs. year ago		2.5%	-3.1%		
Total pages produced (000)	101,979	101,059	94,104	-3.9%	-6.9%
Change vs. year ago		-0.9%	-6.9%		

Production Expenses At approximately 48% of total production cost, printing and binding is this department's largest line item. The cost of printing and binding fell (5.8%) in 2007, \$22,000 below the Period high of \$379,000 in 2006.

The second largest expense for production was paper. Offsetting the increase in the cost of paper for the average B2B magazine, paper costs actually declined (8.6%) in 2007 versus 2006, due to reduced output as well as more favorable recent pricing by distributors due to softer overall demand.

Paper costs in 2007 hit a Period low of \$241,000, well below the high in 2006 of \$263,000 and lower than the \$253,000 spent in 2005. Paper's share of total production expense fell almost one percentage point between 2006 and 2007, and was slightly below the mark in 2005.

Further evidence that paper pricing was softer is seen in the average paper cost per 1,000 pages, which dipped (1.8%) in 2007, off the Period high of \$2.61 in 2006. Relative to total paper cost and lower overall output, this reduction reflected receding market demand for paper.

With fewer total pages produced, the printing and binding cost per 1,000 pages fell as well. This expense did not decline as fast as the cost of paper, however, creating an increase in this ratio of 1.1% in 2007, a slight increase over the peak

recorded in 2006, when this cost rose 2.6% over 2005 to \$3.76, \$.10 in one year. While growing again in 2007, the rise in printing and binding per 1,000 pages increased \$0.04.

In total, manufacturing costs declined (6.9%) to \$598,000, significantly below the \$643,000 recorded in 2006, resulting in a declining CAGR of (2.3%) for the Period.

Key Production Expense Statistics per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Paper (000)	\$253	\$263	\$241	-2.5%	-8.6%
Change vs. year ago		4.0%	-8.6%		
% of total production costs	32.7%	33.4%	32.5%	--	--
Printing and binding (000)	\$373	\$379	\$357	-2.1%	-5.8%
Change vs. year ago		1.7%	-5.8%		
% of total production costs	48.2%	48.1%	48.2%	--	--
Total manufacturing costs	\$626	\$643	\$598	-2.3%	-6.9%
Change vs. year ago		2.6%	-6.9%		
% of total production costs	81.0%	81.5%	80.8%	--	--
Paper cost/1,000 pages	\$2.48	\$2.61	\$2.56	1.5%	-1.8%
Change vs. year ago		4.9%	-1.8%		
Printing and binding cost/1,000 pages	\$3.66	\$3.76	\$3.80	1.9%	1.1%
Change vs. year ago		2.6%	1.1%		
Total production cost/1,000 pages	\$7.59	\$7.80	\$7.87	1.9%	0.9%
Change vs. year ago		2.8%	0.9%		

The production staff was a minimal fraction of this department's total cost, and this expense also declined, from \$63,000 in 2006 to \$59,000 in 2007, a one-year drop of (6.0%). The data would indicate that production staff was cut, as an 8.9% increase in salaries and benefits occurred in 2006 over 2005. In total, staff costs rose to 8.0% of total production expense in 2006, and that figure has remained steady in 2007, as the much larger components marked spending reductions.

Lastly, unallocated "other" production costs increased by 0.8% to \$84,000, a marginal rise, although well below the \$90,000 seen in 2005.

Production cost per copy did rise in 2007, by 9.1% over 2006, reaching a Period high of \$0.67, but with declining output exceeding the rate of declining costs, this is to be expected.

For the department, total production costs in 2007 fell to \$741,000, (6.1%) below the 2006 high of \$788,000, and setting a new low for the Period, resulting in a CAGR of (2.2%).

Key In-House Production Expense Statistics per Publication					
(000)	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Staff salaries and fringe benefits	\$58	\$63	\$59	1.2%	-6.0%
Change vs. year ago		8.9%	-6.0%		
% of total production costs	7.4%	8.0%	8.0%	--	--
Other production costs	\$90	\$83	\$84	-3.5%	0.8%
Change vs. year ago		-7.7%	0.8%		
% of total production costs	11.6%	10.5%	11.3%	--	--
Total production costs	\$774	\$788	\$741	-2.2%	-6.1%
Change vs. year ago		1.9%	-6.1%		
% of total publication costs	19.7%	19.1%	18.1%	--	--
Production cost per copy	\$0.65	\$0.61	\$0.67	1.5%	9.1%
Change vs. year ago		-5.7%	9.1%		

DISTRIBUTION

As noted earlier in the Report, average issues per publication were pared down over the Period, declining from 18.8 in 2005 to 18.5 in 2007. Concurrently, total copies shipped per issue also declined, though falling from a Period high in 2006 and landing in 2007 somewhat above the 2005 figure. With folio size remaining relatively stable across the Period, total pages distributed declined as well. Despite these reductions in shipping volume, distribution expense remained relatively flat in 2007 and slightly above 2005 levels.

Distribution Volume In 2007, total average copy distribution per issue was 44,952, a decline of (2.9%) against 2006, although higher than the base of 43,207 recorded for 2005. With folio size returning to 2005 levels in 2007 and distribution per issue declining (2.9%) in 2007, total pages distributed were off (6.3%) in 2007 to 70.4 million. This compared to a high of 75.1 million in 2006.

Key Distribution Statistics per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Average issues per publication	18.8	18.6	18.5	-0.7%	-0.4%
Change vs. year ago		-1.1%	-0.4%		
Total distribution per issue	43,207	46,289	44,952	2.0%	-2.9%
Change vs. year ago		7.1%	-2.9%		
Average folio size	85	87	85	-0.3%	-3.1%
Change vs. year ago		2.5%	-3.1%		
Total pages distributed (000)	69,111	75,077	70,378	0.9%	-6.3%
Change vs. year ago		8.6%	-6.3%		
% press run distributed per issue	67.8%	74.3%	74.8%	--	--

Distribution Expenses The two primary sources for controlling distribution expense are internal efficiencies in directing where publications are shipped and the actual cost paid to outside sources to deliver the publications. Over time, internal distribution efficiencies have largely been optimized; in contrast, postal costs rose again in 2007 and the cost of fuel had risen at unprecedented rates. Both of these external factors negatively affected efforts to contain distribution expense amid reduced shipping volume requirements.

In the end, distribution expense was reduced (0.8%) in 2007 over 2006, totaling \$474,000, slightly below the \$477,000 mark in 2006, although still above the \$468,000 reported for 2005. For the Period, total distribution expense rose a modest 0.6% as a CAGR.

Despite this cost reduction, distribution expense on a per copy basis rose from \$0.555 in 2006 to \$0.569 in 2007, a one-year increase of 2.5%. Relative to reductions in shipping volume, this expense gain was significantly higher than it

looks. When factored for the cost per million pages shipped, expenses increased 5.8% in 2007 versus a year ago.

In light of declining circulation and reductions in issues and total pages, these escalating distribution costs were a direct threat to the average publication's margin. Nevertheless, when viewed across all expense centers, distribution's share of total publication costs held steady year over year at 11.6% in 2007, lower than the 11.9% posted in 2005.

Key Distribution Expense Statistics per Publication					
	2005	2006	2007	2005-2007 CAGR	2006-2007 % change
Total distribution costs (000)	\$468	\$477	\$474	0.6%	-0.8%
Change vs. year ago		2.1%	-0.8%		
% of total publication costs	11.9%	11.6%	11.6%	--	--
Distribution cost per issue (000)	\$25	\$26	\$26	1.4%	-0.4%
Change vs. year ago		3.2%	-0.4%		
Distribution cost per copy	\$0.576	\$0.555	\$0.569	-0.6%	2.5%
Change vs. year ago		-3.7%	2.5%		
Distribution cost per million pages	\$6,768	\$6,360	\$6,731	-0.3%	5.8%
Change vs. year ago		-6.0%	5.8%		

APPENDIX 1 – DEFINITIONS

Revenue

Advertising Revenue Total of all advertising billings, including inserts, directories, supplements, special issues, annuals, etc. less:

- Agency Commissions – the total amount earned by advertising agencies for their service to advertisers for placement of print advertisements;
- Cash Discounts – total discount on purchases of advertising space paid to buyer for prompt payment;
- Volume and Frequency Discounts – discounts credited for purchase of certain amount of space or for running a certain number of advertisements within a specific period. Other types of discounts available to advertisers are also included in this section;
- Rebates – refunds of payments to advertisers resulting from discounts earned beyond those originally anticipated; and
- Adjustments – credits to advertisers for reproduction and other complaints or make goods.

Subscription Revenue Subscription revenue is generally treated on an “as earned” basis (i.e., the proportional amount paid by the subscribers for copies delivered after deductions for refunds on cancellations and losses on credit orders not collected). This includes agent generated subscriptions at their gross value. Commissions paid to, or retained, by subscription agencies are treated as a circulation expense. Income from list rentals and Internet subscriptions are included in ancillary revenue.

Single-Copy Revenue Revenue received from single copy sales, based on the net amount paid to the publisher. Total reflects actual sales of issues closed, less estimated returns for issues that have not yet been closed out. Includes bulk and dealer direct sales. (Retail display allowances are included in circulation costs.)

Ancillary Revenue Ancillary revenue includes the following items:

- Licensing Fees and Royalties – includes income from reprint privileges and royalties on publisher’s material;
- Collateral/Spin-Off Products – includes revenue for annuals, books, catalogues, occasional publications, calendars, directories, etc. that are produced by the publication staff, use a substantial amount of publication editorial or are part of a publication promotion activity. This

does not include revenue for books that are part of independent editorial and marketing enterprises;

- Reprints – all single copy or custom reprint revenue generated from the publication;
- List Rental – income from rental of names and addresses of subscriptions to other organizations; and
- Other – defined as:
 - Production and sale of products that depend on or flow from brand equity of one or more publications;
 - Provision of and sale of services that draw on expertise of publication staff or flow from reputation of B2B media company; and
 - Sale of products and services targeted to publication subscribers and promoted by use of publication’s name.

Expenses

Sales and Marketing

Sales Salaries, Commissions and Fringe Benefits All salaries, fringe benefits, bonuses and commissions of sales staff (including branch offices). Fringe benefits include health benefits, life and disability insurance, payroll taxes, pension/401k, etc. (If these costs were not allocated, a percentage of total payroll dollars was used.)

Outside Rep Commissions All commissions paid to outside rep firms.

Travel and Entertainment Travel and entertainment expenses incurred by sales staff.

Promotion and Research Costs Costs of advertising designed to promote the publication as an advertising medium, comp list copies, presentations and sales aids, advertising research, merchandising, and value added services to advertisers. (Does not include manufacturing and distribution costs).

Promotion/ Research Staff Departmental expenses, including salaries, fringe benefits, bonuses and commission of publishers’ staff. Fringe benefits include health benefits, life and disability insurance, payroll taxes, pension/401k, etc. (If these costs were not allocated, a percentage of total payroll dollars was used.)

Reader Services Includes the cost of manufacturing the reader service card and outside compilation services.

- Bad Debt Expenses** All bad debt expense relating to advertising revenue.
- Other Costs** All other sales and marketing and advertising selling related costs.

Circulation

- Commission to Subscription Agents** Commissions and expense allowances paid to or retained by subscription agencies for the sale of publication subscriptions, computed on a “when earned” or “accrued” basis in proportion to gross subscription revenue.
- Circulation Promotion** All costs associated with acquiring new subscribers, including design, printing, mailing and postage. This expense also includes the cost of insert cards bound and blown into the publication, cost of mailing lists and promotional materials.
- First Class Postage** The amount of first class postage incurred during the year. This line item includes first class postage expended in conjunction with efforts to collect on credit subscriptions.
- Third Class Postage** The amount of third class postage incurred during the year (generally for re-qualification efforts).
- Fulfillment Costs** Costs of opening subscription mail, processing orders, handling subscription cash and keeping records on subscription income, collections and agents. This cost item also includes maintaining subscription files, order entry, handling complaints and correspondence, ABC/BPA records and general fulfillment office routine. Other costs included in this item are preparation of mailing labels, renewal addressing operations, computer and equipment rentals, fulfillment department supplies and charges by fulfillment agencies.
- Re-qualification Costs** All costs associated with renewing or re-qualifying subscribers, including design, printing, mailing and postage.
- Circulation Staff Salaries & Fringe Benefits** Salaries and fringe benefits of circulation staff. Fringe benefits include health benefits, life and disability insurance, payroll taxes, pension/401k, etc. (If these costs were not allocated, a percentage of total payroll dollars was used.)
- Other Circulation Related Costs** All other circulation related costs not included elsewhere.

Editorial

- Editorial Salaries and Fringe Benefits** Salaries and fringe benefits of editorial executives, editors, writers, editorial assistants and researchers, and clerical personnel, art executives, art directors, picture editors, artists, photographers and any other departmental assistants. Fringe benefits include health benefits, life and disability insurance, payroll taxes, pension/401k, etc. (If these costs were not allocated, a percentage of total payroll dollars was used.)

Travel and Entertainment	Travel and entertainment expenses incurred by editorial staff.
Correspondents, Freelance	Includes all costs related to the intellectual production of the publication, including used and unused manuscripts, outside correspondents and freelancers.
Photos and Art Work	Includes costs for photos, illustrations, designs and art work created exclusively for a publication.
Other Editorial Costs	All costs incurred that relate directly to the functioning of the editorial team, such as rent, reference books and subscriptions, online services, stationery and supplies (including art and photographic supplies), messenger and delivery services and any other direct departmental costs. Also includes editorial research costs initiated by the editorial department, such as readership studies, outside surveys and technical testing.

Production

Paper Costs	Cost of paper used in publishing the publication, including delivery and storage charges.
Printing and Binding	All printing and binding charges, including the cost of editorial and advertising color, ink, etc.
Pre-Press	All page make-up and pre-press expenses.
Production Staff Salaries and Fringe Benefits	Salaries and fringe benefits of production staff. Fringe benefits include health benefits, life and disability insurance, payroll taxes, pension/401k, etc. (If these costs were not allocated, a percentage of total payroll dollars was used.)
Other Production Related Costs	All other production related costs not included elsewhere.

Distribution

Second/Controlled Class Postage	Postage paid for distribution of the average B2B publication to its readers.
Mailing Services and Shipping	Expenses, other than postage, incurred in the distribution of publications to retail outlets, such as wrapping, freight, transportation of copies and any incidental charges incurred. Includes costs of private delivery programs.
Other Distribution Related Costs	All other distribution related costs not included elsewhere.

Other

Ancillary Costs All expenses that relate directly to line items included in Ancillary Revenue, such as salaries, bonuses and commissions, and fringe benefits, including health benefits, health, life and disability insurance, payroll taxes, pension/401k, etc. (If these costs were not allocated, a percentage of total payroll dollars was used.)

APPENDIX 2 – PARTICIPANTS

The following 18 companies provided data for a total of 118 publications across the Period:

Participating Companies	
Advanstar Communications	Meister Media Worldwide
ALM Media (Incisive Media)	The National Underwriter Company
Bobit Business Media	Nielsen Business Media
Business Journals	Professional Media Group
Crain Communications	Randall-Reilly Publishing Company
Gill Ashton Publishing	RBI-US (Reed Business Information)
Lebhar-Friedman	SHRM (Society for Human Resource Management)
McGraw-Hill Companies	Vance Publishing Corporation
Mediatec Publishing	Watt Publishing Company