

2004

**The ABM Financial Trend Report**

*Five-Year Analysis, 2000-2004*

**AMERICAN  
BUSINESS MEDIA**

The Association of Business Media Companies

THE JORDAN  
EDMISTON  
GROUP, INC.

 JEGI CAPITAL

*Prepared and Sponsored by*  
**The Jordan, Edmiston Group, Inc**

*in cooperation with*  
Padin & Estabrook LLC

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## STATEMENT OF CONFIDENTIALITY

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**Confidentiality of Original Data** The data contained in this report was derived from an extract of the five most recent American Business Media, Inc. (ABM) Publishing Cost Reports (2000-2004), a series of reports prepared by Bay Sherman Craig & Goldstein, LLP. This report titled “The ABM Financial Trend Report, Five-Year Analysis, 2000-2004” was compiled from survey responses from members who had submitted responses in each of the five years covered. *At no time was original survey data or any individual company data shared with The Jordan, Edmiston Group, Inc., Padin & Estabrook LLC or ABM.*

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

**Confidentiality of Report** The ABM Financial Trend Report, Five-Year Analysis, 2000-2004 has been prepared for the sole and exclusive use of ABM members.

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**TABLE OF CONTENTS**

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<b>I.</b>	<b>INTRODUCTION</b>	<b>1</b>
<b>II.</b>	<b>SUMMARY OF RESULTS</b>	<b>2</b>
<b>III.</b>	<b>ADVERTISING</b>	<b>10</b>
<b>IV.</b>	<b>CIRCULATION</b>	<b>16</b>
<b>V.</b>	<b>EDITORIAL</b>	<b>22</b>
<b>VI.</b>	<b>PRODUCTION</b>	<b>26</b>
<b>VII.</b>	<b>DISTRIBUTION</b>	<b>30</b>
<b>VIII.</b>	<b>ANCILLARY REVENUE</b>	<b>33</b>
	<b>APPENDIX 1 – DEFINITIONS</b>	<b>35</b>
	<b>APPENDIX 2 – PARTICIPANTS</b>	<b>39</b>

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## INTRODUCTION

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**About The Jordan,  
Edmiston Group,  
Inc.**

The Jordan, Edmiston Group, Inc. (“JEGI”) is widely recognized for its leadership position in middle-market merger and acquisition advisory services for the media and information industries. Leveraging the shared insights and wisdom gleaned from hundreds of transactions, JEGI has built a client base that ranges in size from the largest media and information companies consolidating their portfolios to entrepreneurs selling their businesses or taking them to the next stage of development.

JEGI’s impeccable reputation reflects its knowledge and record of superior performance on behalf of its clients. Clients routinely acknowledge the firm’s extensive senior-level media and information industry experience as a critical factor in increasing the prospects for successfully completing a transaction. For more information about JEGI and its full range of services, please visit the firm’s Web site at [www.jegi.com](http://www.jegi.com) or contact Adam Gross at (212) 754-0710.

**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 printed, electronic and digital media, with particular focus on consumer and business magazines. 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**

**Model Publication** This report is based on the “Model Publication”, which was created from an average of each data point provided by 44 business-to-business (B2B) media companies across 134 B2B publications. The model publication does not reflect all 134 publications in every line item, because some publications did not report each revenue and cost item.

The model publication reflects a blending of 134 publications, with both large and small circulations and revenue bases. It is therefore recommended that users of this information consider the sample makeup when viewing the figures relative to their own titles.

Commentary provided for each section was drawn from JEGI’s and P&E’s industry experience and conversations with industry leaders. While not all trends and rationale are the same for every magazine, we have reported those that appear to be the most common and are supported by the figures. In some cases, data was not reported for certain items in certain years and in other cases the reported data appeared contrary to industry trends. In those cases, adjustments were made to the data, and these adjustments are noted in the financial statements located at the end of each section.

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## SUMMARY OF RESULTS

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**Overview** Across the five years of this report, 2000-2004 (the “Period”), the business media industry went through enormous change. At the start of the Period, the media economy was booming; but, the good times turned dramatically for the worse beginning in 2001, when the dotcom bubble burst and advertising revenue fell with it. It wasn’t until 2004 that B2B advertising reversed its downward trend.

With advertising being the key revenue driver for business publications, its severe fall-off during the Period had a dramatic impact across all operating departments. Starting in 2001, the core publishing cost centers’ budgets were managed down and cost cutting was rampant, starting with cuts that were simpler to make, such as travel and entertainment. The next round of reductions included staffing. At the same time, circulation departments pruned their subscriber files to retain only the most relevant and core subscribers, which enabled them to significantly cut circulation and production expenses.

As ad pages fell, publishers reduced the number of editorial pages produced, to keep ad/edit ratios in line. The reduced book size helped lower both production and distribution expenses. At the same time, new production and distribution procedures and technologies were installed to create more efficient processes, while maintaining overall publishing quality.

In 2000, the average publication reported total operating expenses of \$5.35 million. By the end of 2001, operating costs were reduced by 8.1%, to \$4.91 million. However, the deepest cuts in spending were reported in 2002, the first full year to be engulfed by the recession. For 2002, total operating expenditures were slashed another 17.7%, to \$4.04 million. Following two more years of spending cuts, the average publication reported operating expenses of \$3.66 million in 2004, representing a negative compound annual growth rate (CAGR) of 9.1% for the period 2000 to 2004.

In 2004, the average publication reported its first up-tick (although modest) in ad pages and ad revenues since 2000. Although overall operating expenses decreased in 2004 versus 2003, advertising expenses showed a small increase. With advertising departments beginning to reinvest in advertising sales efforts, this potentially portends positive growth in advertising in the years ahead.

Having survived its toughest five years in history, the business media community has prepared itself to thrive in the new market environment.

**Revenue** **Total Publication Revenue** The average business publication generated \$7.31 million in revenue in 2000; this marked the high-point of the Period and the final year of the 1990’s boom economy. In 2000, advertising generated over 80% of the publication’s total revenue. From 2001 to 2004, total revenue fell precipitously, hitting a Period low in 2004 of \$4.75 million. Over the Period, total revenue fell at a CAGR of (10.2%).

In 2004, advertising revenue was still the major revenue driver for business publications, generating 77% of total revenue. The upswing in ad pages and ad revenue in 2004 are likely the first signs of a rebound in the advertising market.

**Advertising Revenue** With advertising revenue accounting for up to 80% of total revenue across the Period, the (11.2%) CAGR in advertising revenue from 2000-2004 was catastrophic for business publishers. The display advertising meltdown during the Period was caused primarily by the loss of dotcom advertisers and marketers' overall loss of confidence in the economy. When the economy began to recover in the latter half of the Period, B2B advertising proved to be a lagging indicator, as it failed to keep pace with the country's general financial recovery.

Print-based classified advertising also suffered throughout the Period; this was due less to the recession and more to marketers' increasing adoption of new, digital alternatives. As the Internet established itself as a vital source of business news and information, it offered increased levels of accountability and direct response capability, as well as competitive pricing. These facets enabled the Internet to pull a substantial amount of classified revenue from traditional print media publishers. As a result, while print advertising pages are likely to recover over the next few years, few experts expect B2B publishers to regain all of the advertising lost during the recession.

**Circulation Revenue** Since most business publications use a non-paid, controlled circulation model, circulation revenue is a very small component of total revenue for business publications, representing less than 10% of total revenue across the Period. While the small amount of revenue generated from paid subscriptions and newsstand sales helped offset some of the average business publication's revenue losses across the Period, it was not large enough to substantially impact total revenue.

At the market's peak in 2000, the average publication reported \$564,000 in circulation revenue, which represented a Period high. By 2002, circulation revenue had fallen to \$478,000, and it would continue to decline through 2004, when it reached \$408,000.

**Ancillary Revenue** The average business publication's brand franchise has evolved to include more than ink-on-paper products. Today, a business publication's line extensions may range from highly profitable subscriber list rentals to licensing of its brand name, selling reprints of articles and book publishing. These ancillary revenue streams are separate from Internet-related revenue, other digital initiatives, trade shows and conference businesses.<sup>1</sup>

Even though ancillary revenue streams accounted for a small percentage of total revenue for B2B publishers across the Period, they produced high margins and therefore provided some bottom-line support. Over the Period, ancillary revenue fell from \$878,000 in 2000 to \$684,000 in 2004, representing a CAGR of (6.1%). When compared to traditional

<sup>1</sup> Since this report focuses on B2B publications, only financial data that came directly from ancillary products from the core print franchise is provided.

publishing departments, the key advantage of ancillary programs is their flexibility. If sales aren't good and the ancillary product isn't profitable, they can fairly easily be eliminated.

### Key Average Revenue Statistics per Publication

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Advertising revenue	\$5,871	\$4,688	\$3,897	\$3,636	\$3,658	-11.2%	0.6%
Change vs. year ago		-20.1%	-16.9%	-6.7%	0.6%		
% total revenue	80.3%	77.1%	75.5%	75.5%	77.0%	--	--
Circulation revenue	\$564	\$540	\$478	\$445	\$408	-7.8%	-8.4%
Change vs. year ago		-4.3%	-11.4%	-6.9%	-8.4%		
% total revenue	7.7%	8.9%	9.3%	9.3%	8.6%	--	--
Total ancillary revenue	\$878	\$850	\$783	\$734	\$684	-6.1%	-6.8%
Change vs. year ago		-3.2%	-7.9%	-6.3%	-6.8%		
% total revenue	12.0%	14.0%	15.2%	15.2%	14.4%	--	--
Total revenue	\$7,314	\$6,079	\$5,159	\$4,816	\$4,750	-10.2%	-1.4%
Change vs. year ago		-16.9%	-15.1%	-6.7%	-1.4%		

**Operating Expenses** **Total Operating Expenses** In 2000, at the peak of the business cycle, the total cost to market, publish and distribute the average business publication was \$5.35 million. Over the next few years, total operating expense declined, reaching a low of \$3.66 million in 2004. Over the Period, total operating expenses declined at a CAGR of (9.1%), losing a full third of base spending and affecting all operating departments.

By the end of 2004, the small up-tick in advertising expense suggests that cost-cutting has ended, as publishers anticipated a continuing advertising recovery.

**Advertising Expense** Advertising costs, which account for the largest percentage of total operating expenses, were reduced dramatically across the Period. Total advertising expenses declined at or near double-digit rates from 2001 to 2003, after reaching \$1.52 million in 2000. Travel and entertainment budgets were the first and easiest expense category to cut, followed by staff reductions, including sales personnel. New sales collateral and research projects were put on hold, and commissions paid to sales reps declined dramatically as their ad volume shrank.

During the Period, advertising expenses fell from \$1.52 million in 2000 to \$1.05 million in 2004, representing a CAGR of (8.8%).

**Circulation Expense** Total circulation spending by the average publication contracted at a CAGR of (11.2%) across the Period, plunging from a high in 2000 of \$918,000 to a low in 2004 of \$571,000. Throughout the Period, circulation managers refined their controlled subscriber files to focus on reaching the core readers. They also learned how to use the Internet, as an effective and efficient means of acquiring new subscribers and re-qualifying existing subscribers.

**Editorial Expense** Across the Period, editorial expenses decreased from \$862,000 in 2000 to \$694,000 in 2004, representing a CAGR of (5.3%). Interestingly, editorial expenses rose

4.5% from 2000 to 2001, as it took some time for editors to reduce payments to external writers and photographers and decrease internal staffing. The cuts caught up in 2002, as editorial expenses fell 17.8% for the year. Still, as compared to other cost centers, reductions in editorial expenses were much smaller across the Period.

**Production Expense** The costs of producing the average publication were significantly reduced during the Period, driven primarily by shrinking folio sizes, as well as reductions in the number of issues produced and the number of copies manufactured. At the same time, paper prices dropped mid-Period, as demand dwindled and paper companies were left holding stockpiles. Finally, manufacturing technology continued to evolve, enabling publishers to enjoy greater efficiency in production. Over the Period, production expenses fell at a CAGR of (13.0%), from \$1.12 million in 2000 to \$641,000 in 2004.

**Distribution Expense** During the Period, the number of copies and pages distributed decreased dramatically, due to smaller folios and a fewer subscribers. Unlike production expenses, however, which decreased each year of the Period, distribution costs actually rose somewhat in 2003 and 2004. Distribution efficiencies were hurt by consolidation of wholesalers and increased labor and fuel costs, which caused distribution costs per copy to increase in those years.

**Ancillary Expense** Over the Period, the costs for all ancillary programs fell at a CAGR of (8.5%), from \$392,000 to \$274,000. Given that the revenue from ancillary programs fell at a CAGR of (6.1%) over the Period, publishers were actually able to improve their margins from this secondary profit center.

### Key Average Operating Expense Statistics per Publication

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Advertising expense	\$1,521	\$1,369	\$1,151	\$1,045	\$1,053	-8.8%	0.8%
Change vs. year ago		-10.0%	-15.9%	-9.2%	0.8%		
Circulation expense	\$918	\$773	\$612	\$646	\$571	-11.2%	-11.6%
Change vs. year ago		-15.8%	-20.9%	5.5%	-11.6%		
Editorial expense	\$862	\$900	\$740	\$704	\$694	-5.3%	-1.4%
Change vs. year ago		4.5%	-17.8%	-5.0%	-1.4%		
Production expense	\$1,118	\$933	\$764	\$674	\$641	-13.0%	-5.0%
Change vs. year ago		-16.5%	-18.2%	-11.7%	-5.0%		
Distribution expense	\$538	\$493	\$416	\$435	\$426	-5.7%	-1.9%
Change vs. year ago		-8.3%	-15.8%	4.6%	-1.9%		
Ancillary expense	\$392	\$444	\$360	\$299	\$274	-8.5%	-8.3%
Change vs. year ago		13.4%	-19.0%	-16.9%	-8.3%		
Total operating expenses	\$5,348	\$4,914	\$4,042	\$3,802	\$3,658	-9.1%	-3.8%
Change vs. year ago		-8.1%	-17.7%	-5.9%	-3.8%		

**Contribution** This analysis of the average business publication does not include General & Administrative and Indirect Overhead costs, because these costs often comprise allocations not directly related to the print product, and this analysis only includes publication-related results. Therefore, this report provides “Contribution”, which equals Total Publication Revenue less Total Publication Operating Expenses (before General & Administrative and Indirect Overhead).

Contribution for the average B2B publication fell significantly over the Period, from \$1.97 million in 2000 to \$1.09 million in 2004, representing a CAGR of (13.7%). Additionally, contribution margin fell from a high of 26.9% in 2000 to a mid-range level of 23.0% in 2004.

However, the brunt of the fall-off in contribution occurred from 2000 to 2001, as revenue fell more quickly than costs could be reduced. Year over year, there was a 16.9% drop in revenue and an 8.1% decline in operating expenses, leading to a contribution decline of 40%. Over the next three years, contribution levels fluctuated, as publishers fought to keep their costs in line with their revenue.

Finally, in 2004, contribution margin rebounded toward 2000 levels, reaching 23% of revenue for the year. With expenses fully reduced, the slight up-tick in ad pages and ad revenue helped push margins higher, and expectations are high for continuing margin improvement in the years ahead.

<b>Contribution per Publication</b>						<b>2000-2004</b>	<b>2003-2004</b>
(000)	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>CAGR</b>	<b>% change</b>
Contribution	\$1,966	\$1,165	\$1,116	\$1,014	\$1,092	-13.7%	7.7%
Change vs. year ago		-40.7%	-4.2%	-9.2%	7.7%		
Contribution margin	26.9%	19.2%	21.6%	21.0%	23.0%	--	--

**Overview of Today’s Business Media Company** The revenue data provided in this report does not include revenue generated by branded Internet sites or trade shows and conferences. Print operating expenses, however, often absorb a majority of the staff and administrative costs of running Web sites, as the editorial and circulation departments have become involved with their Web and digital efforts. Even production departments are getting involved with Internet initiatives, as they enable content developed primarily for print to be repurposed on Web sites, in e-newsletters and through RSS feeds.

To better understand the financial impact of Web sites and trade shows on the B2B media industry, two tables are presented below that provide a high-level financial overview of the average Web site and trade show.

**Average Web Site** According to recent research conducted by Forrester Research for ABM, marketers are now allocating as much as 24% of their budgets to the Internet. While this is still significantly less than the allocations for traditional print and ancillary products, it is growing rapidly. Currently, the average media consumer spends 13% of his time online,

but only 6% of the total media advertising revenue is dedicated to the Internet. That imbalance between ad spending and consumer time spent online implies tremendous growth in Internet advertising in the years ahead.

The key to the financial statistics of the average Web site is that over the past year, across a similar sample size (163 v. 165), revenue is up 29.3%, contribution increased 43.6% and contribution margin climbed from 35.0% to 38.9%.

<b>Key Revenue and Expense Statistics per Web Site</b>			
(000)	<b>2003</b>	<b>2004</b>	<b>2003-2004 % change</b>
<b># Web sites reporting</b>	163	165	1.2%
<b>Revenue</b>			
Advertising and sponsorships	\$159	\$237	48.8%
Content-related revenue	\$49	\$60	23.5%
Subscription revenue	\$198	\$220	11.2%
Other revenue	\$139	\$187	34.9%
<b>Total revenue</b>	<b>\$545</b>	<b>\$704</b>	<b>29.3%</b>
<b>Total operating expense</b>	<b>\$354</b>	<b>\$430</b>	<b>21.6%</b>
<b>Contribution</b>	<b>\$191</b>	<b>\$274</b>	<b>43.6%</b>
<b>Contribution margin</b>	<b>35.0%</b>	<b>38.9%</b>	

**Note:** The above financial data is the first effort to combine the operating financials of this many established B2B Web sites. The data was provided by ABM's key digital members and was collected by Bay Sherman Craig & Goldstein, LLP, who outputted the data for this chart.

**Average Trade Show** In order to create a financial overview of the average B2B trade show, data was gathered from over 170 trade shows that participated in the 2004 ABM/SISO Cost Report. As a group, these shows enjoyed revenue growth of 17.1% from 2003 to 2004 and a 22.6% increase in contribution. B2B trade shows are often co-branded with and anchored by an established publication, and they tend to generate extremely high margins (approximately 65% in the sample).

<b>Key Revenue and Expense Statistics per Trade Show</b>			
(000)	<b>2003</b>	<b>2004</b>	<b>2003-2004 % change</b>
<b># Trade shows reporting</b>	175	171	-2.3%
<b>Revenue</b>			
Exhibit Space Sales	\$2,031	\$2,454	20.8%
Attendee	\$145	\$212	45.9%
Conference	\$313	\$246	-21.3%
Sponsorship/Promotional	\$201	\$195	-2.7%
Barter	\$109	\$122	12.3%
Other	\$109	\$134	23.1%
<b>Total revenue</b>	<b>\$2,611</b>	<b>\$3,059</b>	<b>17.1%</b>
<b>Total operating expense</b>	<b>\$954</b>	<b>\$1,027</b>	<b>7.6%</b>
<b>Contribution</b>	<b>\$1,657</b>	<b>\$2,032</b>	<b>22.6%</b>
<b>Contribution margin</b>	<b>63.5%</b>	<b>66.4%</b>	

As advertising revenue fell for traditional print publications during the Period, publishers were forced to incorporate new revenue streams into their core franchise. As a result, a new integrated business media company model has emerged that still relies on the publication as the centerpiece, but has surrounded it with high-growth and high-margin revenue streams – Web sites and trade shows.

Today’s multi-platform business media company is poised to expand its brands and franchises into new data products, mobile applications and other communications channels. The market for information is growing, and new technologies are endowing customers with the power to decide when, where and how to receive their news and information. Looking ahead, in order for business media companies to remain competitive, they must meet their customers’ needs in their search for information and give them the ability to access that information at any time through any medium.

**American Business Media**  
**The Jordan, Edmiston Group, Inc.**  
**in cooperation with Padin & Estabrook LLC**

**SUMMARY OF RESULTS**

Revenue and expense expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Number of B2B pubs reporting	134	134	134	134	134		
Average issues per publication	17.7	16.6	17.0	16.7	16.6	-1.6%	-0.6%

**Revenue**

Advertising revenue	\$5,871	\$4,688	\$3,897	\$3,636	\$3,658	-11.2%	0.6%
Change vs. year ago		-20.1%	-16.9%	-6.7%	0.6%		
% total revenue	80.3%	77.1%	75.5%	75.5%	77.0%	--	--
Circulation revenue	\$564	\$540	\$478	\$445	\$408	-7.8%	-8.4%
Change vs. year ago		-4.3%	-11.4%	-6.9%	-8.4%		
% total revenue	7.7%	8.9%	9.3%	9.3%	8.6%	--	--
Total ancillary revenue	\$878	\$850	\$783	\$734	\$684	-6.1%	-6.8%
Change vs. year ago		-3.2%	-7.9%	-6.3%	-6.8%		
% total revenue	12.0%	14.0%	15.2%	15.2%	14.4%	--	--
Total revenue	\$7,314	\$6,079	\$5,159	\$4,816	\$4,750	-10.2%	-1.4%
Change vs. year ago		-16.9%	-15.1%	-6.7%	-1.4%		

**Operating expenses**

Advertising expense	\$1,521	\$1,369	\$1,151	\$1,045	\$1,053	-8.8%	0.8%
Change vs. year ago		-10.0%	-15.9%	-9.2%	0.8%		
% total costs	28.4%	27.9%	28.5%	27.5%	28.8%	--	--
Circulation expense	\$918	\$773	\$612	\$646	\$571	-11.2%	-11.6%
Change vs. year ago		-15.8%	-20.9%	5.5%	-11.6%		
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Editorial expense	\$862	\$900	\$740	\$704	\$694	-5.3%	-1.4%
Change vs. year ago		4.5%	-17.8%	-5.0%	-1.4%		
% total costs	16.1%	18.3%	18.3%	18.5%	19.0%	--	--
Production expense	\$1,118	\$933	\$764	\$674	\$641	-13.0%	-5.0%
Change vs. year ago		-16.5%	-18.2%	-11.7%	-5.0%		
% total costs	20.9%	19.0%	18.9%	17.7%	17.5%	--	--
Distribution expense	\$538	\$493	\$416	\$435	\$426	-5.7%	-1.9%
Change vs. year ago		-8.3%	-15.8%	4.6%	-1.9%		
% total costs	10.1%	10.0%	10.3%	11.4%	11.7%	--	--
Ancillary expense	\$392	\$444	\$360	\$299	\$274	-8.5%	-8.3%
Change vs. year ago		13.4%	-19.0%	-16.9%	-8.3%		
% total costs	7.3%	9.0%	8.9%	7.9%	7.5%	--	--
Total operating expenses	\$5,348	\$4,914	\$4,042	\$3,802	\$3,658	-9.1%	-3.8%
Change vs. year ago		-8.1%	-17.7%	-5.9%	-3.8%		

**Contribution**

Contribution	\$1,966	\$1,165	\$1,116	\$1,014	\$1,092	-13.7%	7.7%
Change vs. year ago		-40.7%	-4.2%	-9.2%	7.7%		
Contribution margin	26.9%	19.2%	21.6%	21.0%	23.0%	--	--

## ADVERTISING

**Overview** In 2000, the average business publication sold space to a record number of advertisers, led primarily by technology service providers that were fighting for market share and start-up Internet companies that were attempting to establish their brands. Through the first quarter of 2001, advertising was on pace for another record year. However, starting in the second quarter of 2001, investor confidence in the Internet faded quickly, leaving many dotcom companies without cash. As a result, a considerable amount of B2B advertising disappeared.

In response, B2B publishers rapidly changed their focus from driving growth to cost containment. They focused first on cutting any expenses that could be eliminated without severely damaging the magazine's output. For example, advertising sales cost were one of the first expense lines to be reduced, since advertising sales had slowed so dramatically. At the same time, sensing weakness among the magazines vying for their business, advertisers applied huge downward pressure on ad pricing, which further reduced magazine revenue.

**Ad Pages** In 2000, the average business publication sold 903 advertising pages, a record amount. The first quarter of 2001 ran at a similar sales pace, but ad page sales fell off significantly over the rest of the year. By year-end 2001, advertising pages were down 15% year-over-year, totaling 768. This year-end total is somewhat misleading, since it was disguised in some measure by healthy first quarter sales.

The slide in ad pages continued for the next two years, as 2002 and 2003 reported declines in pages sold of (10%) and (2.5%), respectively. Ad pages rebounded past 2002 levels in 2004, increasing 4% to 701 pages. Over the Period, ad pages declined at a CAGR of (6.1%), and the average number of ad pages per issue fell at a CAGR of (4.6%), from 51 in 2000 to only 42 in 2004.<sup>2</sup>

### Key Advertising Page Statistics per Publication

	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Total ad pages sold	903	768	691	674	701	-6.1%	4.0%
Change vs. year ago		-15.0%	-10.0%	-2.5%	4.0%		
Average ad pages per issue	51	46	41	40	42	-4.6%	4.6%
Change vs. year ago		-9.1%	-12.2%	-0.8%	4.6%		

**Ad Revenue Total Net Ad Revenue** Advertising has traditionally accounted for approximately 75-80% of total publication revenue. In 2000, the average business publisher generated net advertising revenue of \$5.87 million, a record in line with that year's peak ad page sales. Both display and classified ad revenue fell at approximately the same rate (20%) from 2000 to 2001 and continued to fall through 2003, as ad pages declined, along with net ad revenue

<sup>2</sup> The average number of issues published fell from 17.7 in 2000 to 16.6 in 2004. This reduction in frequency created the disparity between the declining CAGRs for total pages and average pages per issue.

per page. By the end of the Period, total advertising revenue had declined to \$3.66 million, representing a CAGR of (11.2%).

**Display Ad Revenue** Display advertising is the dominant driver of ad revenue, accounting for more than 90% of total ad revenue. Total display advertising revenue fell at a CAGR of (10.8%) over the Period, from \$5.36 million in 2000 to \$3.39 million in 2004. However, display ad revenue increased slightly in 2004 versus 2003, marking the only year-over-year up-tick in the Period.

**Classified Ad Revenue** Classified ad revenue was hurt by the general decline in the economy, which led to a reduction in ad spending. But, it was also severely damaged by cannibalization from an expanding array of digital alternatives, especially via the Internet. As a result, classified ad revenue declined across the Period from \$514,000 to \$280,000, representing a CAGR of (14.1%). Similar to display ad revenue, classified revenue also rebounded somewhat in 2004, increasing 4.9% over 2003 levels. However, given the growing presence of the Internet as an alternative means of running classified advertising to a targeted group of buyers, it is unlikely that classified advertising will ever again reach 2000 levels for B2B publications.

**Net Ad Revenue per Ad Page** During the Period, reduced demand for ad pages intensified competition between publishers, leading them to offer deeper discounts to gain ad revenue and pages. As a result, net ad revenue per ad page fell at a CAGR of (5.4%) from 2000 to 2004, declining from \$6,502 to \$5,217. Although this key metric slowed to a loss of 3.3% in 2004 versus 2003, few publishers expect page yields to rebound in the immediate future. As a result, publishers have turned to other revenue sources to make up the shortfall in ad revenue, including Web sites, in-person events and ancillary revenue streams.

<b>Key Advertising Revenue Statistics per Publication</b>						<b>2000-2004</b>	<b>2003-2004</b>
(000)	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>CAGR</b>	<b>% change</b>
Net display advertising revenue	\$5,357	\$4,279	\$3,585	\$3,369	\$3,393	-10.8%	0.7%
Change vs. year ago		-20.1%	-16.2%	-6.0%	0.7%		
% total advertising revenue	91.2%	91.3%	92.0%	92.7%	92.8%	--	--
Net classified advertising revenue	\$514	\$409	\$312	\$267	\$280	-14.1%	4.9%
Change vs. year ago		-20.4%	-23.8%	-14.4%	4.9%		
% total advertising revenue	8.8%	8.7%	8.0%	7.3%	7.7%	--	--
Total net advertising revenue	\$5,871	\$4,688	\$3,897	\$3,636	\$3,658	-11.2%	0.6%
Change vs. year ago		-20.1%	-16.9%	-6.7%	0.6%		
% of total revenue	80.3%	77.1%	75.5%	75.5%	77.0%	--	--
Net ad revenue/ad page (not 000)	\$6,502	\$6,107	\$5,638	\$5,395	\$5,217	-5.4%	-3.3%
Change vs. year ago		-6.1%	-7.7%	-4.3%	-3.3%		

**Ad Expenses** Advertising-related costs were reduced in line with the erosion of net ad revenue per ad page over the Period. In total, advertising expenses declined from \$1.52 million in 2000 to \$1.05 million in 2004, a CAGR of (8.8%). Some of the cutbacks instituted by publishers, such as travel & entertainment and promotion & research, can easily be restored as ad sales

improve. However, other cuts have a more long-lasting effect and will take time to rebuild, especially those involving the replacement of laid-off advertising staff. By 2003, advertising expense reductions left advertising staffs operating on budgets more than 30% smaller on average than in 2000. By 2004, advertising staffs were running very lean, with few opportunities for additional savings without hampering core operations.

**Advertising Sales Expenses** Advertising sales expenses decreased at a CAGR of (8.8%) across the Period, falling from \$977,000 in 2000 to \$676,000 in 2004. Double-digit cutbacks were reported for both 2001 and 2002, with another 7.6% reduction in 2004.

The dominating expense category for advertising sales is sales salaries and commissions, which accounted for over 70% of ad sales expense in 2004. Staff expenses decreased significantly in 2001, following the downturn in the advertising market. Some of the reduction was due to lower headcount, but sales commissions (for both in-house staff and outside sales reps) were affected by the sale of few ad pages at lower page yields. By the end of the Period, staff expenses had fallen by a CAGR of (9.0%) to \$488,000 from \$711,000 in 2000, while outside sales rep commissions fell by a CAGR of (5.4%) for the same period, from \$152,000 to \$122,000.

Since sales staff travel and entertainment expenses were not always directly associated with revenue generation, these expenses were cut immediately upon the downturn in the ad market. In 2001, travel and entertainment costs were slashed over 17%, and they were reduced at a CAGR of (12.7%) across the Period. By 2004, the average T&E budget was less than 60% the size of the budget in 2000.

### Key Advertising Sales Expense Statistics per Publication

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Sales salaries and commissions	\$711	\$601	\$547	\$496	\$488	-9.0%	-1.5%
Change vs. year ago		-15.4%	-9.1%	-9.3%	-1.5%		
Outside rep commissions	\$152	\$141	\$122	\$168	\$122	-5.4%	-27.7%
Change vs. year ago		-7.2%	-13.2%	37.5%	-27.7%		
Travel and entertainment	\$114	\$94	\$77	\$68	\$66	-12.7%	-2.5%
Change vs. year ago		-17.4%	-18.6%	-11.7%	-2.5%		
Total sales expense	\$977	\$836	\$746	\$732	\$676	-8.8%	-7.6%
Change vs. year ago		-14.4%	-10.8%	-1.9%	-7.6%		
% of total sales and marketing costs	64.2%	61.1%	64.8%	70.0%	64.2%	--	--

**Research and Promotion Costs** As would be expected, external promotion and research costs also fell prey to the advertising recession. Spending for promotion and research projects was the single largest cut in advertising related expenses on a percentage basis in 2001 and 2002, having been reduced 25.6% and 28.6%, respectively. As marketers reduced their advertising budgets, publishers followed their lead and cancelled promotion and research projects, such as readership studies, proprietary research studies and consulting projects. By 2003, the average promotion and research budget was half of what it had been during the boom economy. Across the Period, promotion and research costs declined at a CAGR of (9.9%).

However, in 2004, spending on promotion and research jumped 31.9%. This was primarily due to publishers recognizing that the ad market was rebounding, and in response, they began to update or replace dated promotional and research materials. Staffing was needed in order to successfully ramp up new projects, and publishers responded by increasing their promotion and research staff expenses 14.7% in 2004. Across the Period, promotion & research staff expenses reported a CAGR of (6.5%).

### Key Promotion and Research Expense Statistics per Publication

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Promotion and research costs	\$224	\$166	\$119	\$112	\$147	-9.9%	31.9%
Change vs. year ago		-25.6%	-28.6%	-6.0%	31.9%		
Promotion and research staff	\$84	\$100	\$97	\$77	\$88	1.3%	14.7%
Change vs. year ago		18.4%	-2.6%	-20.5%	14.7%		
Total promotion and research costs	\$308	\$266	\$216	\$189	\$236	-6.5%	24.9%
Change vs. year ago		-13.6%	-18.9%	-12.5%	24.9%		
% of total sales and marketing costs	20.2%	19.4%	18.7%	18.1%	22.4%	--	--

**Other Sales and Marketing Expenses** Reader service, which includes both print and digital efforts, is a minor cost center for the average business publication. The decrease in this cost item across the Period resulted primarily from the migration of reader service from magazine bind-ins to the Internet, which has proven to be a more timely and efficient source for lead generation.

Due to the number of dotcom failures in the early 2000's, bad debt expenses hit a record high in 2001. Publishers reduced bad debt significantly over the ensuing years, as their base of advertisers stabilized. Other advertising costs comprise a variety of non-specific sales related expenditures. This line item was reduced significantly over the Period, falling at a CAGR of (9.2%), even though the expense increased 42.4% in 2004.

### Other Key Promotion and Research Expense Statistics per Publication

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Reader services	\$21	\$39	\$24	\$19	\$18	-3.6%	-6.5%
Change vs. year ago		84.5%	-39.3%	-17.6%	-6.5%		
Bad debt expenses	\$54	\$73	\$47	\$27	\$13	-29.6%	-51.7%
Change vs. year ago		34.5%	-35.9%	-40.9%	-51.7%		
Other advertising expenses	\$162	\$156	\$120	\$78	\$110	-9.2%	42.4%
Change vs. year ago		-4.0%	-23.2%	-35.3%	42.4%		
Total advertising expenses	\$1,521	\$1,369	\$1,151	\$1,045	\$1,053	-8.8%	0.8%
Change vs. year ago		-10%	-15.9%	-9.2%	0.8%		
% of total publication expenses	28.4%	27.9%	28.5%	27.5%	28.8%	--	--
Ad expense per ad page (not 000)	\$1,685	\$1,784	\$1,665	\$1,550	\$1,502	-2.8%	-3.1%
Change vs. year ago		5.9%	-6.6%	-6.9%	-3.1%		

**Sales and Marketing Expense Per Ad Page** Cost containment and reduction across all ad expenses led to the decline in ad expense per ad page, which fell from \$1,685 in 2000 to \$1,502 in 2004, representing a CAGR of (2.8%). This reduction may seem low, but it masks the fact that publishers had already committed to spending \$1,784 per ad page in 2001, before full cost reductions could be implemented. From 2001 to 2004, ad expense per ad page was reduced significantly, by over \$250 per page, or 18.7%.

**Summary** The Period covered by this report was arguably the most difficult time in business publishing history. An overall economic recession combined with the rapid decline of a major advertising category (dotcom companies) and the rise of a new business media communications tool (the Internet) compounded the challenges to the traditional business publishing model. With the increasing importance of the Internet as an advertising medium, few publishers ever expect their in-print ad revenues to return to the historical highs at the start of the Period.

Still, while the advertising department's contribution to the bottom line shrank from \$4.4 million in 2000 to \$2.6 million in 2004, a CAGR of (12.0%), advertising departments were able to maintain their overall margins by diligently managing down their expenses.

**American Business Media**  
**The Jordan, Edmiston Group, Inc.**  
**in cooperation with Padin & Estabrook LLC**  
**ADVERTISING DEPARTMENT**

Revenue and costs expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Average issues per publication	17.7	16.6	17.0	16.7	16.6	-1.6%	-0.6%

**Ad revenue**

Net display advertising revenue <sup>1</sup>	\$5,357	\$4,279	\$3,585	\$3,369	\$3,393	-10.8%	0.7%
Change vs. year ago		-20.1%	-16.2%	-6.0%	0.7%		
% total advertising revenue	91.2%	91.3%	92.0%	92.7%	92.8%	--	--
Net classified advertising revenue	\$514	\$409	\$312	\$267	\$280	-14.1%	4.9%
Change vs. year ago		-20.4%	-23.8%	-14.4%	4.9%		
% total advertising revenue	8.8%	8.7%	8.0%	7.3%	7.7%	--	--
Total net advertising revenue	\$5,871	\$4,688	\$3,897	\$3,636	\$3,658	-11.2%	0.6%
Change vs. year ago		-20.1%	-16.9%	-6.7%	0.6%		
% of total revenue	80.3%	77.1%	75.5%	75.5%	77.0%	--	--

**Ad expense**

Sales salaries, commissions and	\$711	\$601	\$547	\$496	\$488	-9.0%	-1.5%
Change vs. year ago		-15.4%	-9.1%	-9.3%	-1.5%		
Outside rep commissions	\$152	\$141	\$122	\$168	\$122	-5.4%	-27.7%
Change vs. year ago		-7.2%	-13.2%	37.5%	-27.7%		
Travel and entertainment	\$114	\$94	\$77	\$68	\$66	-12.7%	-2.5%
Change vs. year ago		-17.4%	-18.6%	-11.7%	-2.5%		
Promotion and research costs <sup>3</sup>	\$224	\$166	\$119	\$112	\$147	-9.9%	31.9%
Change vs. year ago		-25.6%	-28.6%	-6.0%	31.9%		
Promotion and research staff	\$84	\$100	\$97	\$77	\$88	1.3%	14.7%
Change vs. year ago		18.4%	-2.6%	-20.5%	14.7%		
Reader services	\$21	\$39	\$24	\$19	\$18	-3.6%	-6.5%
Change vs. year ago		84.5%	-39.3%	-17.6%	-6.5%		
Bad debt expenses	\$54	\$73	\$47	\$27	\$13	-29.6%	-51.7%
Change vs. year ago		34.5%	-35.9%	-40.9%	-51.7%		
Other advertising expenses	\$162	\$156	\$120	\$78	\$110	-9.2%	42.4%
Change vs. year ago		-4.0%	-23.2%	-35.3%	42.4%		
Total advertising expenses	\$1,521	\$1,369	\$1,151	\$1,045	\$1,053	-8.8%	0.8%
Change vs. year ago		-10.0%	-15.9%	-9.2%	0.8%		
% of total publication expenses	28.4%	27.9%	28.5%	27.5%	28.8%	--	--

**Ad contribution**

Advertising contribution	\$4,350	\$3,319	\$2,746	\$2,591	\$2,605	-12.0%	0.5%
Change vs. year ago		-23.7%	-17.3%	-5.6%	0.5%		
Advertising contribution margin	74.1%	70.8%	70.5%	71.3%	71.2%	--	--

**Ad page statistics (not 000's)**

Total ad pages sold <sup>3</sup>	903	768	691	674	701	-6.1%	4.0%
Change vs. year ago		-15.0%	-10.0%	-2.5%	4.0%		
Average ad pages per issue	51	46	41	40	42	-4.6%	4.6%
Change vs. year ago		-9.1%	-12.2%	-0.8%	4.6%		
Ad pages as % of total pages	47.5%	45.0%	45.2%	45.1%	40.9%	--	--
Net ad revenue per ad page	\$6,502	\$6,107	\$5,638	\$5,395	\$5,217	-5.4%	-3.3%
Change vs. year ago		-6.1%	-7.7%	-4.3%	-3.3%		
Ad expense per ad page	\$1,685	\$1,784	\$1,665	\$1,550	\$1,502	-2.8%	-3.1%
Change vs. year ago		5.9%	-6.6%	-6.9%	-3.1%		

<sup>1</sup> Advertising display revenue for 2004 includes \$190,000 reported separately as coming from pre-printed insert sales.

<sup>2</sup> Promotion/Research costs for 2004 include \$39,253 in reported outside services.

<sup>3</sup> Display pages for 2004 include a total of 69 pages reported separately as pre-printed inserts.

## CIRCULATION

**Overview** For the traditional business publication, revenue is primarily driven by advertising sales, with only 10% of total revenue generated by circulation. Considering that most business publications run on a non-paid, controlled circulation model, the small amount of circulation revenue generated by the average business publication is generally only enough to offset a portion of total circulation costs. The circulation department's essential function is therefore to maintain an up-to-date, accurate subscriber file of essential industry executives that advertisers must reach.

Total circulation levels for business publications are driven by both the size and scope of the advertiser universe as well as the number of key decision-makers they are trying to reach. For controlled circulation titles, publishers generally set a circulation level that allows them to claim full coverage of the core market. For paid circulation publications, circulation levels often depend on the expense budgets of professional readers. Over the Period, paid circulation decreased, as marketers tightened expense accounts and many readers were not willing to pay for the publication with their own money. For the Period, circulation levels declined at a CAGR of (5.0%), due in part to the substitution by some readers of electronic media as an alternative source of industry information.

**Circulation Levels** After peaking at 61,765 copies per issue in 2000, total circulation of the average business publication fell steadily across the Period. By 2004, the average circulation file had declined at a CAGR of (5.0%) to 50,204.

Publishers scaled back the number of copies served to readers and also reduced the frequency of the average publication, from 17.7 issues per year in 2000 to 16.6 in 2004, a CAGR of (1.6%). Combined, publishers produced fewer copies of fewer issues.

The smaller circulation size enabled significant cost savings in file management, manufacturing and distribution. However, at the same time, it also negatively impacted the size of the audience that advertising sales departments had to offer their clients.

There are over 5,000 business publications still being produced, and many industry experts believe that magazines in print will continue to play an important role in providing strategic insights and analysis for their industry sectors. Nonetheless, business publications have lost some subscribers to the Internet, which provides immediate access to time-sensitive news and information.

### Key Circulation Statistics per Publication

	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Average issues per publication	17.7	16.6	17.0	16.7	16.6	-1.6%	-0.6%
Change vs. year ago		-6.4%	2.6%	-1.7%	-0.6%		
Total circulation/issue	61,765	57,515	53,435	52,688	50,204	-5.0%	-4.7%
Change vs. year ago		-6.9%	-7.1%	-1.4%	-4.7%		

**Circulation Revenue** Circulation revenue fell each year across the Period, as paid business publications became less valuable to many readers who turned to the more timely information available daily via digital delivery. Total circulation revenue, generated by both subscription and single-copy sales, declined from \$564,000 in 2000 to \$408,000 in 2004, a CAGR of (7.8%).

Circulation revenue declined only 4.3% from 2000 to 2001, as many paid subscriptions had already been paid for by the time the market turned. As a result, declines in circulation revenue lagged the decreases in ad page sales and ad revenue. In 2002, subscription revenue caught up with the advertising side of the business, as it fell nearly 16% for the year, while single copy sales revenue virtually disappeared. For the Period, circulation revenue declined by a CAGR of (7.8%).

<b>Key Circulation Revenue Statistics per Publication</b>							
(000)	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2000-2004 CAGR</b>	<b>2003-2004 % change</b>
Gross subscription revenue	\$485	\$486	\$409	\$430	\$398	-4.8%	-7.5%
Change vs. year ago		0.1%	-15.8%	5.2%	-7.5%		
% of total circulation revenue	86.0%	90.0%	85.5%	96.6%	97.5%	--	--
Gross single-copy revenue	\$79	\$54	\$69	\$15	\$10	-40.3%	-34.2%
Change vs. year ago		-31.6%	28.1%	-78.0%	-34.2%		
% of total circulation revenue	14.0%	10.0%	14.5%	3.4%	2.5%	--	--
Total circulation revenue	\$564	\$540	\$478	\$445	\$408	-7.8%	-8.4%
Change vs. year ago		-4.3%	-11.4%	-6.9%	-8.4%		
% of total publication revenue	7.7%	8.9%	9.3%	9.3%	8.6%	--	--

**Circulation Expenses** Circulation expenses accounted for approximately 15% of the average business publication's total operating expenses over the Period. This cost center contracted at a CAGR of (11.2%) across the Period.

**Total Subscription Costs** As reader demand for the printed product waned, circulators imposed stronger cost controls. As a result, total subscription spending declined at a CAGR of (11.4%) over the Period, reaching a low of \$397,000 in 2004.

**Circulation Promotion** The largest subscription cost is circulation promotion, which comprises the development and production of subscription promotion campaigns. Normally, circulators hire outside direct marketing agencies to craft and test printed and digital programs to entice targeted audiences to subscribe to the publication. It is no surprise, given the downward spiral of circulation revenue, that circulation promotion spending was drastically reduced starting in 2001, with further spending cutbacks implemented each subsequent year. By 2004, circulation promotion had been cut in half to \$143,000, representing a CAGR of (15.4%) over the Period.

**Fulfillment Costs** Circulation fulfillment costs include the fees publishers pay database companies to maintain, bill and update circulation billing and distribution files. Many business publishers will sign long-term fulfillment contracts, so there is limited ability to reduce pricing in this cost center. As a result, the average business publication was only able to reduce fulfillment costs by a CAGR of (2.1%) over the Period.

**Commissions to Subscription Agents** As subscription levels declined, so did the amount publishers paid to independent subscription agents. Additionally, many publishers shifted away from agent subscriptions and began to rely more on internal efforts, which tend to be more targeted and therefore generate better long-term subscribers. Spending in commissions to subscription agents fell precipitously over the Period, with 20+% drops each year over the last three years. This resulted in a CAGR of (23.7%) over the Period.

**Postage** Circulation departments have traditionally relied heavily on the U.S. Postal Service to deliver new subscriber solicitations. For these efforts, circulators have usually paid for First Class postage to make sure the efforts are timely and to enhance the impression of quality. However, as postage rates increased over the Period, circulators began turning to the Internet, which offered a viable and efficient means of subscriber solicitation. Additionally, the Internet offers a significantly faster turn-around of new subscriber solicitation efforts, allowing for more rapid analysis of campaign results. As a result, first class postage spending declined at a CAGR of (23.2%) over the Period, dropping from \$50,000 in 2000 to \$17,000 in 2004.

Business publishing circulators have generally used third class postage to re-qualify controlled subscribers. However, online subscription re-qualification efforts have become refined to the point that circulation auditing firms now approve the use of this process. This has enabled circulators to significantly reduce re-qualification costs. Over the Period, third class postage expenditures were reduced from \$80,000 in 2000 to \$34,000 in 2004, a CAGR of (19.1%).

**Re-qualification** Cost for re-qualification programs actually increased across the Period at a CAGR of 3.7%, from \$65,000 in 2000 to \$75,000 in 2004. Re-qualification costs were reported to have increased during the last two years of the Period largely due to a change in reporting of re-qualification promotion costs. These costs were allocated to other circulation promotion lines in the preceding years.

<b>Key Circulation Expenses per Publication</b>							
(000)	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2000-2004 CAGR</b>	<b>2003-2004 % change</b>
Circulation promotion	\$279	\$244	\$185	\$157	\$143	-15.4%	-9.1%
Change vs. year ago		-12.8%	-24.0%	-15.0%	-9.1%		
Fulfillment costs	\$120	\$118	\$109	\$116	\$110	-2.1%	-5.5%
Change vs. year ago		-1.7%	-7.4%	6.8%	-5.5%		
Commissions to sub agents	\$53	\$43	\$33	\$23	\$18	-23.7%	-22.0%
Change vs. year ago		-19.3%	-24.1%	-29.0%	-22.0%		
First class postage	\$50	\$37	\$35	\$25	\$17	-23.2%	-30.6%
Change vs. year ago		-26.2%	-4.0%	-29.1%	-30.6%		
Third class postage	\$80	\$33	\$35	\$36	\$34	-19.1%	-5.6%
Change vs. year ago		-58.6%	7.8%	1.5%	-5.6%		
Re-qualification	\$65	\$77	\$53	\$78	\$75	3.7%	-4.1%
Change vs. year ago		18.8%	-31.1%	47.2%	-4.1%		
Total subscription costs	\$646	\$551	\$450	\$436	\$397	-11.4%	-8.9%
Change vs. year ago		-14.8%	-18.2%	-3.2%	-8.9%		
% of total circulation costs	70.4%	71.2%	73.6%	67.5%	69.7%	--	--

**Circulation Departmental Expenses** As advertising declined in 2001, circulation staff was one of the first expense centers reduced, as evidenced by a 29.3% drop in this cost center from 2000 to 2001, followed by an additional 21.3% decline in 2002. By 2003, circulators were needed to help develop print and digital audiences, as well as for file management, so circulation staff allocations began to grow. Over the Period, circulation staff expenses had declined from \$211,000 in 2000 to \$132,000 in 2004, representing a CAGR of (11.1%).

Other circulation departmental costs, which include research and consultants, fluctuated across the Period as specific tactical needs arose. By 2004, other circulation department spending had declined to \$41,000, representing a CAGR of (9.1%) over the Period.

<b>Key Circulation Departmental Expenses per Magazine</b>							<b>2000-2004</b>	<b>2003-2004</b>
(000)	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>CAGR</b>	<b>% change</b>	
Circulation staff/fringe benefits	\$211	\$149	\$117	\$127	\$132	-11.1%	3.9%	
Change vs. year ago		-29.3%	-21.3%	8.0%	3.9%			
Other circulation costs	\$61	\$73	\$44	\$83	\$41	-9.1%	-50.0%	
Change vs. year ago		20.5%	-40.0%	89.0%	-50.0%			
Total circ departmental costs	\$272	\$222	\$161	\$210	\$173	-10.7%	-17.4%	
Change vs. year ago		-18.2%	-27.4%	30.0%	-17.4%			
% of total circulation costs	29.6%	28.8%	26.4%	32.5%	30.3%	--	--	
Total circulation costs	\$918	\$773	\$612	\$646	\$571	-11.2%	-11.6%	
Change vs. year ago		-15.8%	-20.9%	5.5%	-11.6%			
% of total publication costs	17.2%	15.7%	15.1%	17.0%	15.6%	--	--	

**Summary** In response to the advertising markets leveling out and even starting to grow again, circulation departments are beginning to ramp -up staffing to expand readership, which in turn should help justify increased ad rates. Circulation departments may be more conscientious going forward about refining their subscriber files to keep them healthy and reduce waste. Additional systems and procedures will likely be implemented, so that circulators can verify their audience levels to advertisers in an environment of increased scrutiny. With the rise of the Internet as a medium for timely information, the role of the print circulation department will become even more important in the future to make sure the publication is reaching the core target audience.

**American Business Media**  
**The Jordan, Edmiston Group, Inc.**  
**in cooperation with Padin & Estabrook LLC**  
**CIRCULATION DEPARTMENT**

Revenue and costs expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Average issues per publication	17.7	16.6	17.0	16.7	16.6	-1.6%	-0.6%

**Circulation revenue**

Gross subscription revenue	\$485	\$486	\$409	\$430	\$398	-4.8%	-7.5%
Change vs. year ago		0.1%	-15.8%	5.2%	-7.5%		
% of total circulation revenue	86.0%	90.0%	85.5%	96.6%	97.5%	--	--
Gross single-copy revenue	\$79	\$54	\$69	\$15	\$10	-40.3%	-34.2%
Change vs. year ago		-31.6%	28.1%	-78.0%	-34.2%		
% of total circulation revenue	14.0%	10.0%	14.5%	3.4%	2.5%	--	--
Total circulation revenue	\$564	\$540	\$478	\$445	\$408	-7.8%	-8.4%
Change vs. year ago		-4.3%	-11.4%	-6.9%	-8.4%		
% of total publication revenue	7.7%	8.9%	9.3%	9.3%	8.6%	--	--

**Circulation expenses**

## Subscriptions:

Commissions to sub agents	\$53	\$43	\$33	\$23	\$18	-23.7%	-22.0%
Change vs. year ago		-19.3%	-24.1%	-29.0%	-22.0%		
Circulation promotion	\$279	\$244	\$185	\$157	\$143	-15.4%	-9.1%
Change vs. year ago		-12.8%	-24.0%	-15.0%	-9.1%		
First class postage	\$50	\$37	\$35	\$25	\$17	-23.2%	-30.6%
Change vs. year ago		-26.2%	-4.0%	-29.1%	-30.6%		
Third class postage	\$80	\$33	\$35	\$36	\$34	-19.1%	-5.6%
Change vs. year ago		-58.6%	7.8%	1.5%	-5.6%		
Fulfillment costs <sup>1</sup>	\$120	\$118	\$109	\$116	\$110	-2.1%	-5.5%
Change vs. year ago		-1.7%	-7.4%	6.8%	-5.5%		
Re-qualification <sup>2</sup>	\$65	\$77	\$53	\$78	\$75	3.7%	-4.1%
Change vs. year ago		18.8%	-31.1%	47.2%	-4.1%		
Total subscription costs	\$646	\$551	\$450	\$436	\$397	-11.4%	-8.9%
Change vs. year ago		-14.8%	-18.2%	-3.2%	-8.9%		
% of total circulation costs	70.4%	71.2%	73.6%	67.5%	69.7%	--	--

<sup>1</sup> No fulfillment costs were reported for 2004. Data extrapolated based upon market reports.

<sup>2</sup> Requalification expenditures for 2004 include \$86,371 reported separately for the first time for "requalification promotion."

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**CIRCULATION DEPARTMENT**

Revenue and costs expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Average issues per publication	17.7	16.6	17.0	16.7	16.6	-1.6%	-0.6%

**departmental costs**

Circulation staff/fringe benefits	\$211	\$149	\$117	\$127	\$132	-11.1%	3.9%
Change vs. year ago		-29.3%	-21.3%	8.0%	3.9%		
Other circulation costs	\$61	\$73	\$44	\$83	\$41	-9.1%	-50.0%
Change vs. year ago		20.5%	-40.0%	89.0%	-50.0%		
Total circ departmental costs	\$272	\$222	\$161	\$210	\$173	-10.7%	-17.4%
Change vs. year ago		-18.2%	-27.4%	30.0%	-17.4%		
% of total circulation costs	29.6%	28.8%	26.4%	32.5%	30.3%	--	--
Total circulation costs	\$918	\$773	\$612	\$646	\$571	-11.2%	-11.6%
Change vs. year ago		-15.8%	-20.9%	5.5%	-11.6%		
% of total publication costs	17.2%	15.7%	15.1%	17.0%	15.6%	--	--
Total circulation contribution	(\$353)	(\$233)	(\$133)	(\$200)	(\$163)	n.a.	n.a.

**Per copy statistics (not 000's)**

Total circulation per issue	61,765	57,515	53,435	52,688	50,204	-5.0%	-4.7%
Change vs. year ago		-6.9%	-7.1%	-1.4%	-4.7%		

## EDITORIAL

**Overview** The editorial department acts as the primary link between the publication and its readers, and publications have found it difficult to maintain the strength of this link as advertising revenue and pages have fallen. Declining advertising pages forced business publications to reduce editorial pages to maintain traditional ad/edit ratios. At the same time, publications have tried to maintain experienced and talented editorial staffs to continue producing high-quality content of value to each publication's readers.

For the Period, total editorial costs for the average publication fell from \$862,000 in 2000 to \$694,000 in 2004, representing a CAGR of (5.3%). Total annual editorial pages declined at a CAGR of (3.6%) during the Period, falling from 831 in 2000 to 717 in 2004. Editorial pages were up 2.9% in 2004, in line with the 4.0% increase in ad pages year-over-year.

**Editorial Statistics** In 2000, the average business publication produced 47 editorial pages per issue, maintaining approximately 44% of a publication's content. By 2004, editorial pages per issue had dropped to 43, and edit pages comprised over 46% of a magazine's folio.

In 2001, average edit pages per issue remained flat at 47 with 2000 levels. This was due to a reduction in the average number of issues produced – from 17.7 in 2000 to 16.6 in 2001. By publishing the same number of annual pages in fewer issues, publishers were able to maintain higher average folios. By 2002, however, with the recession in full force, the number of edit pages per issue was reduced significantly, and the average folio shrank to only 90 pages.

Key Editorial Statistics per Magazine							
	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Editorial pages	831	775	703	701	717	-3.6%	2.3%
Average edit pages per issue	47	47	41	42	43	-2.1%	2.9%
Change vs. year ago		-0.3%	-11.6%	1.4%	2.9%		
Editorial pages as % of total pages	43.7%	45.4%	45.9%	46.9%	46.3%	--	--
Other pages	169	165	136	119	130	-6.4%	9.2%
Average other pages per issue	10	10	8	7	8	-4.9%	9.8%
Total pages produced	1,050	986	880	860	888	-4.1%	3.3%
Average folio size	107	103	90	89	93	-3.5%	4.2%
Change vs. year ago		-4.1%	-12.6%	-0.8%	4.2%		

**Editorial Expenses In-House Costs** Interestingly, editorial staff expenses increased 5.5% in 2001, even though advertising revenue and pages had fallen dramatically for the year. This can be partially attributed to B2B press coverage of the September 11<sup>th</sup> terrorist attacks and the continuing dot-com decline. Additionally, business publications were hesitant to reduce editorial staff, until they were certain that the decline in advertising revenue and pages was permanent. As the advertising recession took hold throughout 2001, with no signs of letting up in 2002, editorial staff costs were reduced dramatically, from \$595,000 in 2001 to \$524,000 in 2002, representing a decline of 11.9%. These expenses were reduced again in 2003 and 2004. Over the Period, editorial staff costs decreased at a CAGR of (3.1%).

Although not a major expense item, as compared to salaries and benefits, travel and entertainment spending for editorial staff was reduced dramatically over the Period, falling at a CAGR of (12.4%).

In total, in-house editorial expenses for the average business publication were reduced from \$615,000 in 2000 to \$528,000 in 2004, representing a CAGR of (3.8%).

<b>Key In-House Editorial Expenses per Magazine</b>							
(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Editorial salaries and fringe benefits	\$564	\$595	\$524	\$510	\$498	-3.1%	-2.4%
Change vs. year ago		5.5%	-11.9%	-2.7%	-2.4%		
Travel and entertainment	\$51	\$42	\$29	\$29	\$30	-12.4%	1.7%
Change vs. year ago		-17.2%	-31.0%	1.2%	1.7%		
Total in-house staff costs	\$615	\$637	\$553	\$540	\$528	-3.8%	-2.2%
Change vs. year ago		3.6%	-13.2%	-2.5%	-2.2%		
% of total edit cost	71.4%	70.8%	74.7%	76.7%	76.1%	--	--

**Outsourced Costs** Outsourced editorial expenses represent less than 20% of total editorial costs for the average business publication. In order to reduce these costs, internal staff editors took on additional assignments to lessen the reliance on external correspondents and freelance writers. Editors purchased fewer outside photos and art work for their magazines, as demand fell due to fewer editorial pages, and rights fees were negotiated more aggressively. Over the Period, outsourced editorial costs were reduced from \$163,000 in 2000 to \$110,000 in 2004, representing a CAGR of (9.4%). Additionally, the average external cost per edit page was scaled back from \$196 in 2000 to \$153 in 2004, representing a CAGR of (6.0%).

<b>Key Outsourced Editorial Expenses per Magazine</b>							
(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Correspondents, freelance, manuscripts	\$101	\$97	\$85	\$83	\$72	-7.9%	-12.5%
Change vs. year ago		-3.4%	-12.0%	-3.3%	-12.5%		
Photos and art work	\$62	\$59	\$41	\$39	\$37	-12.0%	-3.5%
Change vs. year ago		-5.9%	-29.9%	-5.7%	-3.5%		
Total out-sourced costs	\$163	\$156	\$127	\$121	\$110	-9.4%	-9.6%
Change vs. year ago		-4.3%	-18.7%	-4.1%	-9.6%		
% of total edit cost	18.9%	17.3%	17.1%	17.2%	15.8%	--	--
Outsourced cost/edit page (not 000)	\$196	\$201	\$180	\$173	\$153	-6.0%	-11.6%
Change vs. year ago		2.5%	-10.4%	-3.8%	-11.6%		

**Editorial Cost Efficiencies** With the inclusion of other costs, comprising all costs that relate directly to the functioning of the editorial team, such as rent, reference books and subscriptions, etc., total editorial expenses for the average business publication were reduced from \$862,000 in 2000 to \$694,000 in 2004, a CAGR of (5.3%). Additionally, edit cost per edit page had been managed down to \$968 in 2004 from \$1,037 in 2000.

In total, the average editorial out-of-pocket cost to produce a single business publication issue fell from a high of more than \$54,000 in 2001 to less than \$42,000 in 2004.

<b>Key Editorial Expenses per Magazine</b>							<b>2000-2004</b>	<b>2003-2004</b>
(000)	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>CAGR</b>	<b>% change</b>	
Other editorial costs	\$84	\$107	\$61	\$43	\$56	-9.4%	32.0%	
Change vs. year ago		28.5%	-43.7%	-29.6%	32.0%			
Total editorial costs	\$862	\$900	\$740	\$704	\$694	-5.3%	-1.4%	
Change vs. year ago		4.5%	-17.8%	-5.0%	-1.4%			
Edit cost per edit page (not 000)	\$1,037	\$1,162	\$1,053	\$1,004	\$968	-1.7%	-3.6%	
Change vs. year ago		12.0%	-9.4%	-4.7%	-3.6%			
Total edit cost/avg issue (not 000)	\$48,572	\$54,248	\$43,478	\$42,016	\$41,658	-3.8%	-0.9%	
Change vs. year ago		11.7%	-19.9%	-3.4%	-0.9%			
Edit as % of total publication costs	16.1%	18.3%	18.3%	18.5%	19.0%	--	--	

**Summary** Recognizing that the quality and focus of a business publications' editorial product drives reader involvement and loyalty, and that this loyalty is the key to driving advertising revenue, publishers took all steps possible to protect the integrity of their content, despite the financial strains on their publications across the Period.

Looking forward, business publishers are working with editorial teams to create content development processes that will provide readers with the information, insight and commentary they seek across all media, enabling the reader to choose where and when to get this information.

Industry experts foresee the printed editorial product as the foundation and key brand element on which the modern business media company can build its expanded array of editorial "touch-points" through a variety of digital media and in-person events.

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**EDITORIAL DEPARTMENT**

Revenue and costs expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Average issues per publication	17.7	16.6	17.0	16.7	16.6	-1.6%	-0.6%

**Editorial expenses**

Editorial salaries and fringe benefits	\$564	\$595	\$524	\$510	\$498	-3.1%	-2.4%
Change vs. year ago		5.5%	-11.9%	-2.7%	-2.4%		
Travel and entertainment	\$51	\$42	\$29	\$29	\$30	-12.4%	1.7%
Change vs. year ago		-17.2%	-31.0%	1.2%	1.7%		
Subtotal in-house staff costs	\$615	\$637	\$553	\$540	\$528	-3.8%	-2.2%
Change vs. year ago		3.6%	-13.2%	-2.5%	-2.2%		
% of total edit cost	71.4%	70.8%	74.7%	76.7%	76.1%	--	--
Correspondents, freelance, manuscripts	\$101	\$97	\$85	\$83	\$72	-7.9%	-12.5%
Change vs. year ago		-3.4%	-12.0%	-3.3%	-12.5%		
Photos and art work	\$62	\$59	\$41	\$39	\$37	-12.0%	-3.5%
Change vs. year ago		-5.9%	-29.9%	-5.7%	-3.5%		
Total out-sourced costs	\$163	\$156	\$127	\$121	\$110	-9.4%	-9.6%
Change vs. year ago		-4.3%	-18.7%	-4.1%	-9.6%		
% of total edit cost	18.9%	17.3%	17.1%	17.2%	15.8%	--	--
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Total editorial costs	\$862	\$900	\$740	\$704	\$694	-5.3%	-1.4%
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Edit as % of total publication costs	16.1%	18.3%	18.3%	18.5%	19.0%	--	--

**Editorial page statistics (not in 000's)**

Editorial pages	831	775	703	701	717	-3.6%	2.3%
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Change vs. year ago		4.5%	-19.5%	-11.4%	9.8%		
Total pages produced	1,050	986	880	860	888	-4.1%	3.3%
Average folio size	107	103	90	89	93	-3.5%	4.2%
Change vs. year ago		-4.1%	-12.6%	-0.8%	4.2%		
Manuscripts and art cost/edit page	\$196	\$201	\$180	\$173	\$153	-6.0%	-11.6%
Change vs. year ago		2.5%	-10.4%	-3.8%	-11.6%		
Other edit dept expenses/edit page	\$101	\$139	\$86	\$61	\$78	-6.0%	29.1%
Change vs. year ago		37.7%	-37.9%	-29.4%	29.1%		
Edit cost per edit page	\$1,037	\$1,162	\$1,053	\$1,004	\$968	-1.7%	-3.6%
Change vs. year ago		12.0%	-9.4%	-4.7%	-3.6%		
Total edit cost/avg issue	\$48,572	\$54,248	\$43,478	\$42,016	\$41,658	-3.8%	-0.9%
Change vs. year ago		11.7%	-19.9%	-3.4%	-0.9%		

## PRODUCTION

**Overview** The production manager is tasked with choreographing the variable cost elements of ink-on-paper production with actual output demand and optimized processes. This role has evolved considerably in recent years, driven by important advances in the technology of magazine production, as well as by underlying market supply and demand swings, as noted throughout this Report.

A number of key variables affect overall production, including advertising pages sold, paper prices, subscription and newsstand sales fluctuations and print-run costs. During the Period, production managers had to be extremely resourceful to manage down costs, as advertising revenue fell. It certainly helped that paper prices declined dramatically over the Period, driven by a lack of demand. However, other production efficiencies had to be wrung out of processes, especially through the use and development of new technology.

By the close of the Period, total production costs for the average business publication had declined at a CAGR of (13.0%).

**Output** The average business publication produced just over 91 million pages in 2004, far below the nearly 133 million pages produced in 2000. On a CAGR basis, total pages produced fell (9.0%) during the Period. This decline in pages produced is the result of the declines in both average folios and print orders.

As the number of ad pages declined, so did edit pages, reducing the average folio from 107 pages in 2000 to 93 pages in 2004. At the same time, the average print order, reduced to eliminate non-core readers, declined from nearly 70,000 in 2000 to less than 59,000 in 2004, representing a CAGR of (4.2%).

In 2004, total pages produced and average folio size increased 0.9% and 4.2%, respectively, as ad pages sold rose 4.0% and edit pages per issue increased 2.3%.

Key Production Statistics per Publication						2000-2004	2003-2004
	2000	2001	2002	2003	2004	CAGR	% change
Average press run per issue	69,876	65,121	61,655	60,536	58,937	-4.2%	-2.6%
Change vs. year ago		-6.8%	-5.3%	-1.8%	-2.6%		
Total pages produced (in 000)	132,905	111,191	94,368	90,409	91,192	-9.0%	0.9%
Change vs. year ago		-16.3%	-15.1%	-4.2%	0.9%		
Average folio size	107	103	90	89	93	-3.5%	4.2%
Change vs. year ago		-4.1%	-12.6%	-0.8%	4.2%		

**Production Expenses** Paper costs and printing and binding expenses account for approximately 70-75% of the average business publication's production costs.

On a per thousand pages basis, total production expenses decreased from \$8.41 in 2000 to \$7.02 in 2004, representing a CAGR of (4.4%). In 2000, paper prices were approaching record highs, as the economy was strong and magazines were at record folio sizes. As a

result, paper costs per thousand pages reached \$3.31 in 2000. However, starting in 2001, demand for paper waned considerably, as the economy weakened, and magazine folios began shrinking. Paper manufacturers were left with an abundant supply of paper, and prices were cut to move inventory. In 2002, paper cost per thousand pages had fallen to \$2.69, well below 2000 levels and 15.6% less than in 2001. Over the Period, paper costs per thousand pages decreased at a CAGR of (8.0%).

At the same time that paper prices were falling, many publishers re-negotiated their printing contracts, or re-located their print operations. The printers, in their attempt to maintain margins and compete in a contracting marketplace, closed inefficient plants and launched new initiatives to create more cost efficient printing processes. As a result, they could offer more attractive pricing to the business publishing community, while protecting their profitability.

As a result of these efforts, printing and binding costs were reduced at a CAGR of (1.4%) across the Period, from a high of \$3.18 per thousand pages in 2000 to \$3.01 in 2004. Printing and binding costs per thousand pages reached a low point in 2003 of \$2.77. However, this cost center rose 8.7% in 2004, which might have resulted from less efficient pagination and smaller print runs, both of which would have reduced production efficiency and increased costs.

Page make-up and pre-press costs, which accounted for less than 10% of total production costs for the average business publication in 2004, showed the greatest relative savings of all the key production cost centers over the Period, declining at a CAGR of over 20%. Savings for this cost center were influenced primarily by advancements in direct-to-plate processes and other technologies.

**Key Production Expense Statistics per Publication**

	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Paper	\$440	\$354	\$253	\$221	\$216	-16.3%	-2.0%
Change vs. year ago		-19.6%	-28.4%	-12.9%	-2.0%		
% of total production costs	39.4%	37.9%	33.2%	32.7%	33.7%	--	--
Printing and binding	\$423	\$330	\$280	\$250	\$274	-10.3%	9.6%
Change vs. year ago		-22.0%	-15.1%	-10.7%	9.6%		
% of total production costs	37.9%	35.4%	36.7%	37.1%	42.8%	--	--
Page make-up/pre-press	\$124	\$122	\$93	\$79	\$50	-20.2%	-36.5%
Change vs. year ago		-1.4%	-23.8%	-15.0%	-36.5%		
% of total production costs	11.1%	13.1%	12.2%	11.8%	7.9%	--	--
Printing and binding cost/1,000 pages	\$3.18	\$2.97	\$2.97	\$2.77	\$3.01	-1.4%	8.7%
Change vs. year ago		-6.8%	0.1%	-6.8%	8.7%		
Paper cost/1,000 pages	\$3.31	\$3.18	\$2.69	\$2.44	\$2.37	-8.0%	-2.9%
Change vs. year ago		-3.9%	-15.6%	-9.1%	-2.9%		
Total production cost/1,000 pages	\$8.41	\$8.39	\$8.09	\$7.46	\$7.02	-4.4%	-5.8%
Change vs. year ago		-0.2%	-3.6%	-7.8%	-5.8%		

**In-House Production Expense** Accounting for roughly 12% of total production costs in 2004, production staffing tends to be a centralized, corporate function, especially in larger publishing companies, in which one

manager can oversee production across an array of titles. As such, this expense tends to be relatively fixed, as confirmed by the operating statistics, which show production staff expenses remained relatively flat across the Period.

By 2004, total production costs for the average business publication fell over \$475,000, from a high of \$1.12 million in 2000 to \$641,000 in 2004, generating a CAGR of (13.0%). As a result, production costs as a share of total publication costs fell from 20.9% in 2000 to 17.5% in 2004.

### Key In-House Production Expense Statistics per Publication

(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Staff salaries and fringe benefits	\$77	\$74	\$77	\$75	\$76	-0.3%	1.4%
Change vs. year ago		-4.6%	3.8%	-1.7%	1.4%		
% of total production costs	6.9%	7.9%	10.0%	11.2%	11.9%	--	--
Other production costs	\$53	\$53	\$60	\$49	\$24	-18.4%	-52.0%
Change vs. year ago		0.2%	13.2%	-18.5%	-52.0%		
% of total production costs	4.7%	5.7%	7.9%	7.3%	3.7%	--	--
Total production costs	\$1,118	\$933	\$764	\$674	\$641	-13.0%	-5.0%
Change vs. year ago		-16.5%	-18.2%	-11.7%	-5.0%		
% of total publication costs	20.9%	19.0%	18.9%	17.7%	17.5%	--	--

**Summary** Production departments were vital to keeping costs low and maintaining margins for the average business publication throughout this very challenging publishing Period. Looking ahead, price points are expected to remain relatively stable through the rest of 2005. However, the industry has announced paper price increases in 2006 that will force budgets to be adjusted accordingly. In order to keep total production costs down, production managers will have to find additional production efficiencies, while continuing to adapt to the ever-evolving field of manufacturing technology.

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**PRODUCTION DEPARTMENT**

Revenue and costs expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Average issues per publication	17.7	16.6	17.0	16.7	16.6	-1.6%	-0.6%

**Production expenses**

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Change vs. year ago		-19.6%	-28.4%	-12.9%	-2.0%		
% of total production costs	39.4%	37.9%	33.2%	32.7%	33.7%	--	--
Printing and binding	\$423	\$330	\$280	\$250	\$274	-10.3%	9.6%
Change vs. year ago		-22.0%	-15.1%	-10.7%	9.6%		
% of total production costs	37.9%	35.4%	36.7%	37.1%	42.8%	--	--
Page make-up/pre-press	\$124	\$122	\$93	\$79	\$50	-20.2%	-36.5%
Change vs. year ago		-1.4%	-23.8%	-15.0%	-36.5%		
% of total production costs	11.1%	13.1%	12.2%	11.8%	7.9%	--	--
Staff salaries and fringe benefits	\$77	\$74	\$77	\$75	\$76	-0.3%	1.4%
Change vs. year ago		-4.6%	3.8%	-1.7%	1.4%		
% of total production costs	6.9%	7.9%	10.0%	11.2%	11.9%	--	--
Other production costs	\$53	\$53	\$60	\$49	\$24	-18.4%	-52.0%
Change vs. year ago		0.2%	13.2%	-18.5%	-52.0%		
% of total production costs	4.7%	5.7%	7.9%	7.3%	3.7%	--	--
Total production costs	\$1,118	\$933	\$764	\$674	\$641	-13.0%	-5.0%
Change vs. year ago		-16.5%	-18.2%	-11.7%	-5.0%		
% of total publication costs	20.9%	19.0%	18.9%	17.7%	17.5%	--	--

**Production statistics (not in 000's unless indicated)**

Average press run per issue	69,876	65,121	61,655	60,536	58,937	-4.2%	-2.6%
Change vs. year ago		-6.8%	-5.3%	-1.8%	-2.6%		
% of circ as production over-run	13.1%	13.2%	15.4%	14.9%	17.4%	7.3%	16.8%
Change vs. year ago		0.7%	16.3%	-3.2%	16.8%		
Total pages produced (in 000)	132,905	111,191	94,368	90,409	91,192	-9.0%	0.9%
Change vs. year ago		-16.3%	-15.1%	-4.2%	0.9%		
Production cost per issue	\$63,014	\$56,234	\$44,846	\$40,275	\$38,477	-11.6%	-4.5%
Change vs. year ago		-10.8%	-20.3%	-10.2%	-4.5%		
Production cost per copy	\$0.90	\$0.86	\$0.73	\$0.67	\$0.65	-7.8%	-1.9%
Change vs. year ago		-4.2%	-15.8%	-8.5%	-1.9%		
Paper cost per issue	\$24,805	\$21,320	\$14,879	\$13,172	\$12,978	-15.0%	-1.5%
Change vs. year ago		-14.0%	-30.2%	-11.5%	-1.5%		
Paper cost/1,000 pages	\$3.31	\$3.18	\$2.69	\$2.44	\$2.37	-8.0%	-2.9%
Change vs. year ago		-3.9%	-15.6%	-9.1%	-2.9%		
Printing and binding cost/1,000 pages	\$3.18	\$2.97	\$2.97	\$2.77	\$3.01	-1.4%	8.7%
Change vs. year ago		-6.8%	0.1%	-6.8%	8.7%		
Total production cost/1,000 pages	\$8.41	\$8.39	\$8.09	\$7.46	\$7.02	-4.4%	-5.8%
Change vs. year ago		-0.2%	-3.6%	-7.8%	-5.8%		
Average folio size	107	103	90	89	93	-3.5%	4.2%
Change vs. year ago		-4.1%	-12.6%	-0.8%	4.2%		

## DISTRIBUTION

**Overview** Distribution costs are driven by circulation demand, folio size and postal rates. For business publications, which mainly run controlled circulation models, subscription costs far outweigh the cost of single copy delivery, as the vast majority of copies are mailed.

During the Period, both the number and weight of copies distributed declined year-over-year. Although this would suggest that overall distribution costs decreased, a series of postal rate increases early in the Period offset the potential savings of mailing fewer copies of smaller publications. As a result, distribution costs per copy and per million pages actually increased during the Period at CAGRs of 1% and 4.6%, respectively.

**Distribution Statistics** The average business publication distributed just over 50,000 copies per issue in 2004, a decrease of 4.7% versus 2003, and a CAGR of (5.0%) from 2000, during which nearly 62,000 copies per issue were distributed. Distribution demand was further eroded by a shrinking average folio size, which reduced total pages distributed. With a fewer number of smaller issues to deliver, total page volume decreased over the Period at a CAGR of (9.8%).

As has been noted throughout this Report, each business publication operating department sought to decrease expenses, while preserving core product quality. With that in mind, it was surprising to note that, for the Period, the percentage of the print order distributed per issue declined from 88.4% in 2000 to 85.2% in 2004. It would appear that, in spite of the need to cut costs across the business publication, managing print order levels was not a high priority for many publishers.

**Key Distribution Statistics per Magazine**

	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Total distribution per issue	61,765	57,515	53,435	52,688	50,204	-5.0%	-4.7%
Change vs. year ago		-6.9%	-7.1%	-1.4%	-4.7%		
Total pages distributed (000)	117,478	98,203	81,785	78,687	77,680	-9.8%	-1.3%
Change vs. year ago		-16.4%	-16.7%	-3.8%	-1.3%		
% press run distributed per issue	88.4%	88.3%	86.7%	87.0%	85.2%	--	--

**Distribution Expenses** The charges for second/controlled class postage, which is used to mail single copies to subscribers, accounted for approximately 70% of all distribution expenses across the Period. Even though postal rates increased in the early years of the Period, second class postage expenses for the average business publication decreased across the Period, from \$374,000 in 2000 to \$302,000 in 2004, a CAGR of (5.2%). This decline was directly related to the distribution of fewer and lighter copies.

Mailing services expenses (shipping to retail outlets, wrapping, freight, transportation and private delivery) declined at a CAGR of (4.2%) across the Period, while holding a 13%-15% share of total distribution costs for the average business publication. Since single copy sales have limited impact on most business publications, this cost item is relatively minor. However, due to significant restructuring and consolidation in the single-copy distribution

channel that raised newsstand service price points, publishers were unable to even more dramatically reduce the costs in this area.

<b>Key Distribution Expense Statistics per Magazine</b>							
	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Total distribution costs (000)	\$538	\$493	\$416	\$435	\$426	-5.7%	-1.9%
Change vs. year ago		-8.3%	-15.8%	4.6%	-1.9%		
% of total publication costs	10.1%	10.0%	10.3%	11.4%	11.7%	--	--
Distribution cost per issue	\$30.32	\$29.73	\$24.40	\$25.95	\$25.60	-4.1%	-1.4%
Change vs. year ago		-1.9%	-17.9%	6.4%	-1.4%		
Distribution cost per copy	\$0.491	\$0.517	\$0.457	\$0.493	\$0.510	1.0%	3.5%
Change vs. year ago		5.3%	-11.7%	7.9%	3.5%		
Distribution cost per million pages	\$4,579	\$5,025	\$5,081	\$5,523	\$5,487	4.6%	-0.7%
Change vs. year ago		9.7%	1.1%	8.7%	-0.7%		

To distribute 50,000 copies per issue in 2004, the average business publication spent \$426,000, far less than the \$538,000 spent on distribution costs in 2000. However, the savings are not as great as they seem, because distribution per copy and per million pages actually increased across the Period by CAGRs of 1% and 4.6%, respectively. Still, more expensive unit pricing was offset by volume reductions, which enabled publishers to reduce distribution spending.

<b>Key Distribution Expense Statistics per Magazine</b>							
(000)	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
Total distribution costs	\$538	\$493	\$416	\$435	\$426	-5.7%	-1.9%
Change vs. year ago		-8.3%	-15.8%	4.6%	-1.9%		
% of total publication costs	10.1%	10.0%	10.3%	11.4%	11.7%	--	--
Distribution cost per issue	\$30.3	\$29.7	\$24.4	\$25.9	\$25.6	-4.1%	-1.4%
Change vs. year ago		-1.9%	-17.9%	6.4%	-1.4%		
Distribution cost per copy	\$0.491	\$0.517	\$0.457	\$0.493	\$0.510	1.0%	3.5%
Change vs. year ago		5.3%	-11.7%	7.9%	3.5%		
Distribution cost per million pages	\$4,579	\$5,025	\$5,081	\$5,523	\$5,487	4.6%	-0.7%
Change vs. year ago		9.7%	1.1%	8.7%	-0.7%		

**Summary** Unlike the other major business publishing operating departments, the distribution department has the unique challenge of balancing a decline in demand with increasing per unit service costs. Overall, these departments managed this process well by implementing an array of strategies, including expanding pre-sorting, palletizing and drop shipping to USPS distribution hubs. This strategy also helped to deflect the impact of rising postal costs.

However, despite these efforts, the key data points of cost per distributed copy and cost per million pages could not be contained and some losses in overall efficiencies had to be accepted.

Looking ahead, distribution managers will have new challenges to face. The steep rise in fuel costs in 2005 will clearly impact the costs for delivering pallets and pre-sorted bundles

to USPS shipping centers. Further compounding the inflationary pressures on the cost structure will be the postal rate increases that have been announced for 2006. After having survived the operational and financial challenges of this Period, the distribution department will face new and different challenges in the future.

**American Business Media  
The Jordan, Edmiston Group, Inc.  
in cooperation with Padin & Estabrook LLC  
DISTRIBUTION DEPARTMENT**

Revenue and costs expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004	2003-2004
						CAGR	% change
Average issues per publication	17.7	16.6	17.0	16.7	16.6	-1.6%	-0.6%

**Distribution expenses**

Second/controlled class postage	\$374	\$371	\$329	\$317	\$302	-5.2%	-4.6%
Change vs. year ago		-0.8%	-11.3%	-3.6%	-4.6%		
% of total distribution costs	69.5%	75.1%	79.1%	72.9%	70.9%	--	--
Mailing services and shipping	\$71	\$67	\$60	\$68	\$60	-4.2%	-12.1%
Change vs. year ago		-6.0%	-9.5%	12.7%	-12.1%		
% of total distribution costs	13.2%	13.5%	14.5%	15.6%	14.0%	--	--
Other distribution related costs	\$93	\$56	\$27	\$50	\$64	-8.9%	28.9%
Change vs. year ago		-39.7%	-52.8%	87.5%	28.9%		
% of total distribution costs	17.4%	11.4%	6.4%	11.5%	15.1%	--	--
Total distribution costs	\$538	\$493	\$416	\$435	\$426	-5.7%	-1.9%
Change vs. year ago		-8.3%	-15.8%	4.6%	-1.9%		
% of total publication costs	10.1%	10.0%	10.3%	11.4%	11.7%	--	--

**Distribution statistics (not in 000's unless indicated)**

Total distribution per issue	61,765	57,515	53,435	52,688	50,204	-5.0%	-4.7%
Change vs. year ago		-6.9%	-7.1%	-1.4%	-4.7%		
% press run distributed per issue	88.4%	88.3%	86.7%	87.0%	85.2%	--	--
Average folio size	107	103	90	89	93	-3.5%	4.2%
Change vs. year ago		-4.1%	-12.6%	-0.8%	4.2%		
Total pages distributed (000)	117,478	98,203	81,785	78,687	77,680	-9.8%	-1.3%
Change vs. year ago		-16.4%	-16.7%	-3.8%	-1.3%		
Distribution cost per issue	\$30.32	\$29.73	\$24.40	\$25.95	\$25.60	-4.1%	-1.4%
Change vs. year ago		-1.9%	-17.9%	6.4%	-1.4%		
Distribution cost per copy	\$0.491	\$0.517	\$0.457	\$0.493	\$0.510	1.0%	3.5%
Change vs. year ago		5.3%	-11.7%	7.9%	3.5%		
Distribution cost per million pages	\$4,579	\$5,025	\$5,081	\$5,523	\$5,487	4.6%	-0.7%
Change vs. year ago		9.7%	1.1%	8.7%	-0.7%		

## ANCILLARY REVENUE

**Overview** Publishers relied on a wide array of ancillary revenue streams over the Period, including licensing fees and royalties, collateral and spin-off products, reprints, list rentals, custom publishing and other, to supplement traditional advertising sales. Data is only provided for those ancillary revenue streams that emanated directly from the core print franchise, as shown in the tables below:

**American Business Media**  
**The Jordan, Edmiston Group, Inc.**  
**in cooperation with Padin & Estabrook LLC**  
**ANCILLARY PROFIT CENTERS**

Revenue and costs expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
-----------------------------	------	------	------	------	------	-------------------	-----------------------

### Licensing fees and royalties

Revenue	\$205	\$164	\$111	\$133	\$134	-10.1%	0.9%
Change vs. year ago		-20.2%	-31.9%	19.2%	0.9%		
% total ancillary revenue	23.3%	19.2%	14.2%	18.1%	19.6%	--	--
Expenses	\$56	\$14	\$19	\$11	\$17	-25.9%	58.5%
Change vs. year ago		-74.3%	30.9%	-43.4%	58.5%		
% total ancillary costs	14.2%	3.2%	5.2%	3.5%	6.1%	--	--
Contribution	\$149	\$149	\$93	\$122	\$117	-5.9%	-4.1%
Contribution margin	72.9%	91.3%	83.2%	92.0%	87.4%	--	--
% total ancillary contribution	30.7%	36.7%	21.9%	28.0%	28.5%	--	--

### Collateral/spin-off products

Revenue	\$253	\$310	\$314	\$287	\$313	5.5%	8.9%
Change vs. year ago		22.8%	1.3%	-8.7%	8.9%		
% total ancillary revenue	28.8%	36.5%	40.1%	39.1%	45.7%	--	--
Expenses	\$105	\$259	\$201	\$164	\$140	7.5%	-14.6%
Change vs. year ago		146.7%	-22.4%	-18.3%	-14.6%		
% total ancillary costs	26.8%	58.3%	55.8%	54.9%	51.1%	--	--
Contribution	\$148	\$51	\$113	\$123	\$172	4.0%	40.4%
Contribution margin	58.4%	16.5%	36.1%	42.8%	55.2%	--	--
% total ancillary contribution	30.3%	12.6%	26.8%	28.2%	42.1%	--	--

### Reprints

Revenue	\$52	\$46	\$37	\$32	\$33	-10.5%	2.6%
Change vs. year ago		-10.4%	-20.7%	-12.1%	2.6%		
% total ancillary revenue	5.9%	5.4%	4.7%	4.4%	4.8%	--	--
Expenses <sup>1</sup>	\$19	\$17	\$16	\$16	\$10	-15.0%	-35.8%
Change vs. year ago		-11.5%	-8.0%	0.0%	-35.8%		
% total ancillary costs	4.9%	3.8%	4.3%	5.2%	3.7%	--	--
Contribution	\$32	\$29	\$21	\$17	\$23	-8.2%	38.8%
Contribution margin	62.8%	63.2%	57.4%	51.5%	69.6%	--	--
% total ancillary contribution	6.6%	7.2%	5.0%	3.8%	5.6%	--	--

<sup>1</sup> Reprint expenses were adjusted in 2001 to more accurately reflect market conditions.

**American Business Media**  
**The Jordan, Edmiston Group, Inc.**  
 in cooperation with Padin & Estabrook LLC  
**ANCILLARY PROFIT CENTERS**

Revenue and costs expressed in thousands (000) unless indicated

All numbers average per pub	2000	2001	2002	2003	2004	2000-2004 CAGR	2003-2004 % change
<b>List Rentals</b>							
Revenue	\$194	\$186	\$136	\$125	\$106	-14.1%	-14.9%
Change vs. year ago		-4.1%	-27.2%	-8.2%	-14.9%		
% total ancillary revenue	22.1%	21.9%	17.3%	17.0%	15.5%	--	--
Expenses	\$38	\$38	\$41	\$33	\$38	-0.1%	15.2%
Change vs. year ago		0.8%	8.4%	-20.7%	15.2%		
% total ancillary costs	9.7%	8.6%	11.5%	11.0%	13.8%	--	--
Contribution	\$157	\$148	\$94	\$92	\$68	-18.8%	-25.7%
Contribution margin	80.5%	79.5%	69.5%	73.7%	64.4%	--	--
% total ancillary contribution	32.2%	36.5%	22.3%	21.1%	16.6%	--	--

**Other Activities**

Revenue	\$175	\$144	\$186	\$158	\$99	-13.3%	-37.4%
Change vs. year ago		-17.7%	28.9%	-14.9%	-37.4%		
% total ancillary revenue	19.9%	16.9%	23.7%	21.5%	14.4%	--	--
Expenses	\$174	\$116	\$83	\$76	\$69	-20.5%	-8.5%
Change vs. year ago		-33.5%	-28.0%	-8.9%	-8.5%		
% total ancillary costs	44.4%	26.1%	23.1%	25.4%	25.3%		
Contribution	\$1	\$28	\$102	\$82	\$29	151.7%	-64.2%
Contribution margin	0.4%	19.6%	55.1%	51.9%	29.7%	--	--
% total ancillary contribution	0.1%	6.9%	24.1%	18.8%	7.1%	--	--

**Total ancillary profit centers**

Revenue	\$878	\$850	\$783	\$734	\$684	-6.1%	-6.8%
Change vs. year ago		-3.2%	-7.9%	-6.3%	-6.8%		
% total revenue	12.0%	14.0%	15.2%	15.2%	14.4%	--	--
Expenses	\$392	\$444	\$360	\$299	\$274	-8.5%	-8.3%
Change vs. year ago		13.4%	-19.0%	-16.9%	-8.3%		
% total costs	7.3%	9.0%	8.9%	7.9%	7.5%	--	--
Contribution	\$487	\$406	\$423	\$435	\$410	-4.2%	-5.8%
Contribution margin	55.4%	47.8%	54.1%	59.3%	59.9%	--	--

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## APPENDIX 1 – DEFINITIONS

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### Revenue

- Advertising Revenue** Total of all advertising billings, including inserts, directories, supplements, special issues, annuals, etc. less:
- Agency Commissions – the total cash 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 should also be included in this section;
  - Rebates – rebates are 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 on an “as earned” basis (i.e., the proportional amount paid by the subscribers for copies actually delivered after deductions for refunds on cancellations and losses on credit orders not collected). This includes agent generated subscriptions at the 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 allowance should be 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 magazine staff, use a substantial amount of magazine editorial or are part of a magazine 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 magazine;
- List Rental – income from rental of names and addresses of subscriptions to other organizations; and
- Other – defined as:
  - \* Production and sale of products which depend on or flow from brand equity of one or more magazine titles;
  - \* Provision of and sale of services which draw on expertise of magazine staff or flow from reputation of magazine company; and
  - \* Sale of products and services targeted to magazine subscribers and promoted by use of magazine’s name.

## **Expenses**

### **Sales and Marketing**

<b>Sales Salaries, Commissions and Fringe Benefits</b>	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.
<b>Outside Rep Commissions</b>	All commissions paid to outside rep firms.
<b>Travel and Entertainment</b>	Travel and entertainment expenses incurred by employees on sales staff.
<b>Promotion and Research Costs</b>	Costs of publication advertising designed to promote the magazine 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).
<b>Promotion/ Research Staff</b>	Departmental expenses, including salaries, fringe benefits, bonuses and commission of publishers’ own 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.
<b>Reader Services</b>	Includes the cost of manufacturing the reader service card and outside compilation services.
<b>Bad Debt Expenses</b>	All bad debt expense relating to advertising revenue.
<b>Other Costs</b>	All other sales and marketing and advertising selling related costs.

### Circulation

<b>Commission to Subscription Agents</b>	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.
<b>Circulation Promotion</b>	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 magazine, cost of mailing lists and promotional material.
<b>First Class Postage</b>	The amount of first class postage expense incurred during the year. This line item includes first class postage expended in conjunction with efforts to collect on credit subscriptions.
<b>Third Class Postage</b>	The amount of third class postage expense incurred during the year (generally postage for re-qualification efforts).
<b>Fulfillment Costs</b>	Costs of opening subscription mail, processing orders, handling subscription cash, keeping records on subscription income, collections and agents; maintenance of subscription file and order entry; handling complaints and correspondence, ABC/BPA records and general fulfillment office routine; preparation of mailing labels, renewal addressing operations; computer and equipment rentals; and fulfillment department supplies. Charges by fulfillment agencies for fulfillment services are also included.
<b>Re-qualification Costs</b>	All costs associated with renewing or re-qualifying subscribers, including design, printing, mailing and postage.
<b>Circulation Staff Salaries &amp; Fringe Benefits</b>	Salaries and fringe benefits of circulation staff. Fringe benefits include health benefits, life and disability insurance, payroll taxes, pension/401k, etc. If not currently allocated, use a percentage of total payroll dollars.
<b>Other Circulation Related Costs</b>	All other circulation related costs not included elsewhere.

### Editorial

<b>Editorial Salaries and Fringe Benefits</b>	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.
<b>Travel and Entertainment</b>	Travel and entertainment expenses incurred by employees on editorial staff.
<b>Correspondents, Freelance</b>	Includes all costs related to the intellectual production of the magazine, 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, on-line 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 magazine, including delivery and storage charges.

**Printing and Binding** All printing and binding charges, including the cost of editorial and advertising color, ink, etc.

**Page Make-up/Pre-Press** All page make-up and (electronic) prepress 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** The amount of second-class postage expense incurred during the year. (Postage paid for distribution of magazine to readers).

**Mailing Services and Shipping** Expenses, other than postage, incurred in the distribution of magazines 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, including salaries, fringe benefits, bonuses and commissions of staff of particular activity. Fringe benefits include 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 44 companies provided data on a total of 134 publications across the five-year period:

<b>Participating Companies</b>
101 Communications, LLC
Advanstar Communications, Inc.
Agent Media Corporation
Allured Publishing Corporation
ALM Properties (American Lawyer Media)
Ascend Media, LLC
Ball Publishing
Billian Publishing, Inc.
Bobit Business Media
Business Journals, Inc.
CMP Media, LLC
Crain Communications, Inc.
Diversified Business Communications
Douglas Publications, Inc.
Dowden Health Media, Inc.
Edgell Communications, Inc.
Edgell Publications
Fairchild Publications
Farm Journal Media
GIE Media, Inc.
Hanley-Wood, LLC
Hearst Business Media
Hoyt Publishing Company
International Data Group (IDG)
Kona Communications, Inc.
Lebhar-Friedman, Inc.
Leisure Publications, Inc.
The McGraw-Hill Companies
McGraw-Hill Platts
MediaTec Publishing, Inc.
Meister Media Worldwide
Post Newsweek Tech Media
Primedia Business Magazines & Media
Putman Media, Inc.
Randall Publishing
Simmons-Boardman Publishing
Society for Human Resource Management
Sosland Publishing Company
Stamats Business Media
Vance Publishing Corporation
VNU Business Media, Inc.
Watt Publishing Company
Wicks Business Information, LLC
Ziff Davis Media, Inc.