

**TEETHING *THE WALRUS*:
CIRCULATION MANAGEMENT AT A
POST-LAUNCH CANADIAN MAGAZINE**

by

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Abstract

This report focuses on circulation dynamics of *The Walrus* magazine during the post-launch period, an often neglected but crucial time period in the life cycle of a magazine looking for long-term success. *The Walrus*'s circulation strategy highlights trends and changes in the Canadian magazine industry at a medium-sized independent magazine.

Dedication

I would like to dedicate this to my father and mother, Mike and Donna Ellis, for their ongoing support. Thanks for letting me know that I can do anything I want to if I focus on it, *but not everything I want to at the same time*. I would also like to thank Lea Zeltserman for helping me focus on what is important and pushing me to make the most of life. You are all important to me.

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Abbreviations and Terms

BLOW-IN CARD	A subscription promotion card or envelope blown loosely into a magazine so that it will fall out and attract attention.
BRM, BRC, BRE	Acronyms for business reply mail, card, and envelope. Reply mailers are the primary reply vehicle for direct-mail orders, as well as subscription blow-ins and bind-ins. They are postage-paid by the publisher to encourage response from the prospect.
CHECKOUT DISPLAY	In newsstand sales, the coveted display space at the checkouts of supermarkets, convenience stores and other mass outlets.
CIRCULATION	A magazine's total net paid subscriptions and single copies and/or request and qualified recipients. Often expressed as an average per issue over six months, according to auditing and rate base conventions.
CONTINUOUS SERVICE	Also referred to as "automatic renewal" and "tillforbid." An agreement in which a subscriber allows the publisher to continue to renew the publication at expire, using the subscriber's initial credit card authorization, or through automatic billing, until the subscriber informs the publisher to stop. Some subscription agencies make continuous service offers through invoice inserts and other sources, and a growing number of publishers are testing and rolling out continuous service because of its potential for reducing costs and increasing profitability.
CONVERSION	Any first-time renewal, or the process of converting non-paid subscribers to paid subscribers.
EXPIRE(S)	As a verb, what happens when a subscription reaches the end of the period paid for without renewing.
FSI	Acronym for free-standing insert, meaning a marketing page or vehicle that accompanies a publication such as a magazine or newspaper.

LIST BROKER	The intermediary between those who purchase access to subscription lists (list renters) and those magazines who develop subscribers and hence a list of subscribers (list owners).
LIST HYGIENE	The actions to ensure that mailing lists are accurate, including the correctness and non-duplication of names and addresses.
LIST MANAGER	The in-house or outside professional or company responsible for marketing a list and/or maintaining, cleaning and enhancing that list.
MAINFILE OR MASTERFILE	The master subscriber list in a computerized format. Contains name, address and other information, such as price and term, expire issue, start issue, payment status and sales method.
OPT-OUT/OPT-IN	Because of consumer privacy concerns and government regulations, responsible direct-marketers give individuals the choice of having their names or email addresses removed or omitted from a list or database.
PREMATURES	Newsstand copies returned by the retailer to the wholesaler before the off sale date.
RENEWAL MAILER	An effort (such as direct-mail, telemarketing, email) made to renew a subscriber. Usually starts well before expiration date of the subscription and generally continues a few months past expiration date.
RETENTION	The function of acquiring and keeping paid subscriptions through renewal marketing promotions.
SELL-THROUGH	Also called "efficiency" or "efficiency level." The percentage of distributed newsstand copies that were actually sold.
SINGLE-COPY SALES	Also called "newsstand sales." Single copies of magazines sold at retail. Most single-copy sales are made in supermarkets and other mass retail outlets. Many publishers also distribute through specialty stores.
SOURCE EVALUATION	A financial study of new subscriptions sold through a given source, and their conversion and renewals over the years, to determine the true profit per net paid unit of circulation. This allows for comparing and assessing the relative volume and profitability of various sources.

Part One: Introduction and Framework

Circulation management and strategy is a crucial factor for the financial success and stability of any magazine. It must adjust and adapt to many magazine categories (from history to fashion magazines) business models (from paid to free magazines) changes in the business environment, (from pre-internet to post-internet) and many other variables through the business life cycle of a magazine. Like any business in the marketplace, a magazine has a life cycle known to any business person: new startup, growth, maturity, and decline or stability. This basic life cycle exists in many forms depending on the industry or marketplace. This report will focus on the early period in the life cycle of a national Canadian magazine named *The Walrus*, which launched in October 2003. This period in the life of a magazine circulation strategy is often neglected, regardless of its importance to long-term growth, as attentions are typically focused on the more romantic work of building a magazine, such as editorial. During the initial period of the magazine's life, *The Walrus* was heralded as a great success, gaining notoriety by winning many national magazine awards and the attention of the media, and competing against notable magazine titles in its class, such as *Harper's Magazine*, *The Atlantic*, and *The New Yorker*.

This report highlights the importance of circulation strategy for financial stability at *The Walrus* during the post-launch period of the magazine's life cycle: beginning January 2005 and ending approximately October 2006. The business and management status of the magazine during the post launch period, its intended near future, and its interaction with its environment will serve as the three constant points of reference. The first section of the report will provide an overview of *The Walrus* during the launch period and discuss readership, management style, circulation

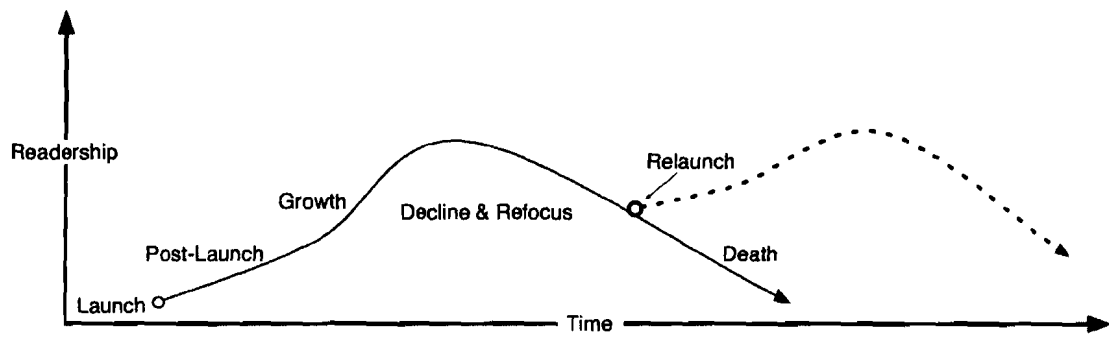
success, editorial direction, and other important factors that would affect the magazine's strategy. The second section will explore the post-launch period, paying particular attention to traditional circulation and marketing techniques. During this phase, circulation management and strategy becomes an most important factor in financial stability. It is also a time of great financial stress for any magazine—marked by the beginning of the subscription renewal period. Expenses are typically high but advertising revenues are low, and, therefore, maintaining cash flow is difficult. The best analogy that might be used to give a sense of this period, to borrow from child development terminologies, is “teething.”

The Walrus provides an opportunity to see a newly launched magazine find its own path toward a more stable future. The launch and post-launch periods at *The Walrus* are particularly interesting as many of the traditional tools used for circulation growth and stability were changing at the time. The final section will discuss the effects of these changes and how *The Walrus* planned to adapt based on its experiences during the post-launch period.

The Magazine Life Cycle

Like all products, a magazine's life cycle is based on sales growth and decline. This life cycle exists in many formats, but for the purpose of this report the following periods (in sequence) will be used: launch, post-launch, growth, decline and refocus, and relaunch or death. See Figure 1.

Figure 1 Example of the life cycle of a typical magazine



Situational Analysis and Brief History

Launched in September 2003 amid tremendous build-up, *The Walrus* magazine was quickly labeled a success by the industry and the media because of the unanticipated high demand for subscriptions and newsstand copies; for a general interest magazine in Canada this was unusual. With most independent magazines slowly building a cash base, *The Walrus* was different: the magazine had initial funding of \$5 million donated from the Chawkers Foundation to sustain the magazine through the turbulent launch phase and into the important growth and stabilization phase that would follow. The Chawkers Foundation is an independent charitable foundation endowed by the Alexander family, related to editor and former publisher Ken Alexander of *The Walrus*, but entirely separate in terms of business. Its specific mandates are focused on education and environmental initiatives in Canada; this includes a wide range of initiatives including

bursaries for students and funding for Canadian heritage conservation to community-based environmental groups. *The Walrus*, with its broad mandate to promote public discourse on matters vital to Canada, fell loosely under the education funding focus of the Chawkers Foundation. This relationship of financial support was very different because typical magazine-start ups are usually funded privately or by a larger parent corporation. If a private foundation does enter into a funding relationship with a magazine or any other organization, it is more likely to be with a more mature, less high-risk organization with a proven track record.

This post-launch period just after the launch phase of a magazine's life cycle is key to the long-term success of a magazine, but is often neglected and deserves further investigation. During this period the long-term potential of a young magazine is shaped. The growth and stabilization of the magazine's circulation is the most important priority for long-term success. The functioning of the magazine troika—the interaction of circulation, editorial, and advertising—during this phase is crucial.

Table 1 **Timeline: *The Walrus***

Year	Month	Issue Date	Life Cycle Period	Circulation Events
2003	August		Launch	Launch direct-mail
	September	October		Word on the Street
	October	November/December		
	November			Holiday promos
2004	December		Post-Launch	
	January	February/March		
	February			
	March	April/May		
	April			
	May	June		Renewals of launch subscribers
	June	July/August		Set publishing schedule
	July			
	August	September		Word on the Street
	September	October		
	October	November		Holiday promos
	November	December/January		
2005	December			
	January	February		
	February	March		
	March	April		
	April	May		
	May	June	Renewals of launch subscribers	
	June	July/August		
	July			
August	September			
September	October	Word on the Street		
...

***Walrus* Management**

The Walrus management team did not follow the traditional approach to publication management. This was a direct result of the management ideals of then-publisher Ken Alexander, who believed that chaotic environments promote more imaginative ideas and a fresh look at traditional methods and problems.

Table 2 Management changes basic timeline

Oct. 2003	April 2004	August 2004	February 2005	November 2006
Ken Alexander <i>Publisher</i>	Ken Alexander <i>Publisher</i>	Ken Alexander <i>Publisher and Editor</i>	Ken Alexander <i>Publisher and Editor</i>	Bernard Schiff <i>Publisher</i>
Bernard Schiff <i>Associate Publisher</i>	Bernard Schiff <i>Associate Publisher</i>	Bernard Schiff <i>Associate Publisher</i>	Bernard Schiff <i>Associate Publisher</i>	Ken Alexander <i>Editor</i>
David Berlin <i>Editor</i>	Paul Wilson <i>Editor</i>		Rolf Dinsdale ¹ <i>Associate Publisher Advertising</i>	Rolf Dinsdale <i>Associate Publisher Advertising</i>

A prime example of Alexander’s beliefs in “action over experience” was the core management team itself—the publisher and the associate publisher had no publishing experience before they began *The Walrus*. Realizing this, they compensated by surrounding themselves with people who had a great deal of experience—people who were known as mavericks in the Canadian magazine industry. This mixture of inexperience and experience had both positive and negative effects on the management process. For example, if a problem arose with a customer’s subscription, the experienced professional would lean towards actions based on industry norms and standards, whether good or bad. In contrast, the inexperienced managers would look for a more customer-friendly result regardless of industry norms in order to build better brand connection. Typically,

¹Dinsdale was a new hire.

the industry makes the majority of its decisions based on numerical and financial analysis of each situation—the lower the total loss or the greater the gain are the deciding factors, not customer service. *The Walrus*'s trial by error method—based on instinct, not analysis—caused numerous communication and strategy problems within management structure. Experienced staff often felt their perspective was neither trusted nor considered, even though in some cases the non-traditional approach made the most sense. While this management style provided a different and sometimes better alternative to traditional methods, it often caused rifts between staff with traditional experience and those without.

The breaking down of barriers was another unique feature of the publisher's management style. The classical magazine management structure is based on the ideals of freedom of speech; that is, the editorial functions of the publication must operate without any influence from the other arms of the publishing structure, namely advertising and marketing. This traditional method effectively creates the equivalent of two separate and autonomous companies operating under the same roof: one producing a product and the other managing and selling it. Since the launch, *The Walrus* had gone through two editors-in-chief and two managing editors as a result of the management team's apparent disrespect and violation of these traditional boundaries. As a result of the staff turnover, the editor's functions were taken on by then-publisher Ken Alexander, deepening the overlap of editorial and management. Total managerial responsibility was now vested in one person, which had its advantages and disadvantages. Communication between departments was simplified under the new management structure. On the publishing side, long-term strategy fell to department heads and consultants who collectively directed the magazine, however there was no unifying direction for these long-term goals. This again caused many problems and further rifts between those with traditional experience and those without. In many cases, the image, or ideal image, of what the magazine should be was the leading factor in shaping publisher\editor business decisions, not financial and economic fact or strategy.

The introduction of a newsstand cover flap was one example of this orientation. A cover flap is a half cover-sheet that is bound over the newsstand cover; it provides space for more cover lines. Examples of newsstand cover flaps can be found on *The Atlantic*, *Harper's*, and *The New Yorker*. At *The Walrus* the cover flap was first introduced as an opportunity to sell more advertising on the back of the flap. That opportunity was never fully realized (as most advertisers were not interested), yet newsstand issues continued carrying the flap. In addition, the flap did not measurably contribute to the sales of the magazine on newsstands, nor did it provide an efficient way of selling subscriptions. At a cost of approximately \$4000 per issue the flap was a superfluous cost to the magazine. The main reason the flap was kept on was because of the possible editorial image it produced—*The Walrus* resembled *Harper's* in the opinion of upper management and therefore was like *Harper's*. Eventually, in mid-2006, the financial impact of the flap was deemed a loss and it was removed from production, though only after a great deal of infighting between then-publisher Bernard Schiff and, at that time, editor Ken Alexander.

Editorial Distinctiveness

The Walrus placed quality of writing and accuracy of reporting at the forefront of its editorial mandate; this promise made to its readership was understood to be the key reason behind the magazine's early success. The embodiment of this mandate is evident in *The Walrus's* in-depth, long-form feature articles. The features are a mixture of investigative journalism and long-form essay that cater to readers looking for topics relevant to Canadians at both a local and international level—the accepted category for a magazine of this nature is *general interest*. The only major deviation from the regular editorial direction was the inaugural Summer Fiction issue in July/August 2004. This issue included new Canadian fiction and poetry and was highly acclaimed in its first year. As of this writing, the Summer Fiction issue was scheduled as an

annual editorial package in order to appeal to summer cottagers shopping for light reading material.

Magazine Anatomy

A traditional magazine like *The Walrus* consists of three major components: the Front of the Book, the Feature Well, and the Back of the Book. The Front of the Book traditionally consists of a letters section, the table of contents, a listing of staff and contributors, and shorter-length articles (when compared to the other articles in the magazine) that function as textual appetizers. The Feature Well consists of the longest articles of the magazine (deemed *features*) and are typically given more emphasis on the cover. The Back of the Book consists of medium-sized articles that are smaller than those found in the Feature Well but longer than the Front of the Book articles. Traditionally, this section includes longer columns, product reviews, or opinion editorial.

The editorial structure, then and at the time of writing, of *The Walrus* was as follows:

The Front of Book contains “Letters,” “Sightings,” “Field Notes” (originally “The Observatory”) and “Columns.” The Front of Book provides lighter reading and establishes the base for the in-depth features that follow. “Sightings” is the personal column of the publisher; it was a witty, sharp look at issues of fancy. “Field Notes” are short reports from abroad, “Outlook” contains tidbits of interesting events along the margins of the Field Notes, “You Are Here” is a spread that presents an idea in a more visual, almost interactive format (maps and charts, for example), “Detail” highlights a visual artist’s work with a small biography, and the “Column” section (the most flexible in the book) contains humour and other pieces that do not fit elsewhere.

The Feature Well is the most important element of the magazine's mission; this section is devoted to long-form writing and what Ken Alexander calls "big thought" pieces. These pieces place *The Walrus* in direct competition with *Harper's*, *The Atlantic*, and *The New Yorker*. Typically, these articles not only sell the magazine on the newsstand, but also attract media attention and therefore create publicity for the brand.

The Back of Book contains poetry, fiction, book reviews, "Think Tank" (a puzzle section), and, on the last page, "Parallel Universe" — a creative, visual rendering of ideas or topics that would (or could) happen in a parallel universe. The Back of Book is flexible in terms of content and is often used to present new Canadian poets and fiction writers. The book review section is also unique in that reviews are thematic, covering several books together.

Editorial Management

The editorial management at *The Walrus* has been somewhat akin to a soap opera and, as such, has generated a great deal of media attention. By late 2004, *The Walrus* had gone through an entire turnover of editorial staff (with the exception of one editor and the art director). The first to leave was founding editor David Berlin—"citing health reasons, Berlin [said] his association will continue as a contributing editor."² At a Ryerson University lecture shortly after his departure, Berlin stated that his main reason for leaving was pressure from Alexander directed toward his editorial management.³ The next to leave was Paul Wilson, Berlin's replacement. In an interview with *Masthead* magazine, he cited his objection to "the separation of power between the publisher and the editor"⁴ as his motivation to leave. In addition to the resignation of its editors-in-chief,

² "Walrus Editor Steps Down," *Masthead Online*, February 17, 2004, http://www.mastheadonline.ca/paidaccess/news_archives/feb2004.htm?

³ Liz Brown, *The Ryerson Review of Journalism*, Spring 2004, 58.

⁴ "Walrus loses another editor," *Masthead Online*, March 25, 2004, http://www.masthead.ca/news_archives/may2004.htm.

The Walrus had lost two managing editors (one in the early stages of the launch and the other during Wilson’s resignation) and two section editors. All had pointed fingers at the then-publisher, Ken Alexander, for interfering with operations of the editorial management of the magazine. Concerns over Alexander management style continued to plague the magazine through 2006 as then-publisher Bernard Schiff, many of the board of directors, and another senior editor, Tom Fennell, also left—all citing Alexander as the reason.

Sell Lines and the Flavour of *The Walrus*’ Editorial

Sell lines are the short title description of articles that appear on the cover. They are a very important newsstand selling feature for any magazine because they must distill and sell what the articles are about to the potential buyer within several seconds. On the cover, sell lines are typically arranged from top to bottom, with what is thought to best “hook” the potential buyer appearing first, followed by sell lines for the less significant articles below. *The Walrus* typically ranks longer features as the main sell line; Table 2 provides several examples of main sell lines.

Table 3 Sell lines

Date	Main Selling Article	Brief Explanation
October '03	“Blind Trust”	Will Paul Martin do for the country what he did for Canada Steamship Lines?
November/ December '03	“Is the West Rearming Russia?”	\$20 billion in G-8 aid may be fuelling a new cold war.
February/ March '04	“The Burning Tip of The Spear”	The 3/7 Cavalry led the charge into Iraq. What they wanted most was to get home without losing a man.
June '04	“Game Theories”	A rogue economics professor sat down to play a video game and found, a country.
July/ August '04	“Summer Fiction”	Featured Guy Vanderhaeghe, Banana Yoshimoto, Damon Galgut and others.
September '04	“Inside Canada’s Hate Industry”	The story of the undercover operation to put Canada’s most dangerous white supremacists behind bars.
October '04	“The Man Behind Stephen Harper”	The new conservative party has tasted success and wants majority rule. If Tom Flanagan and his Calgary School have their way, they’ll get it without compromising their principles.
November '04	“The End of Healthcare”	Canada does not have universal health care, but it could. The secret might lie in the Oregon Experiment, a radical and life-promoting solution.

Though the editorial management of *The Walrus* had changed hands several times, the editorial content continued to receive public praise. Other indicators of how the editorial content has been accepted, such as letters and renewals (which will be discussed in-depth later) had been very positive. In 2004, only two issues (October '03 and November/December '03) of *The Walrus* were submitted to the National Magazine Awards Foundation resulting in an impressive eleven nominations. Overall, *The Walrus* was awarded three gold awards for:

- Science, Technology, and the Environment — “Is the West Rearming Russia?” by Paul Webster;
- Investigative Reporting — “Blind Trust” by Marci McDonald;

- Arts and Entertainment — “The Genius of Django” by Deborah Kirshner;
and received honorable mentions for

- Humour — “Reader Rage” by Douglas Bell;

- Politics and Public Interest — “Blind Trust” by Marci McDonald;

- Politics and Public Interest — “Reasonable Doubt” by Larry Krotz;

- Travel — “The Genius of Django” by Deborah Kirshner;

- Essays — “Ich Bin Ein Indianer” by Adam Gilders;

- Still-Life Photography — “One Man’s Trash” by Douglas Coupland and Ken Mayer;

- Photojournalism and Photo Essay — “Blind Trust” by Eamon Mac Mahon.

Readership

The Walrus is a paid-circulation magazine with a medium-sized circulation. (Medium-sized circulation in this context means over 20,000 but under 100,000 in paid circulation.) The main marketing strategy, both for selling subscriptions and advertising, is based on demographics that fit the following profile:

- 35 years old and over
- Highly educated
- Living in Canadian urban centres
- Aware/curious about the world around them
- Wealthy⁵

These categories placed *The Walrus* up against some of North America's most established magazines such as *The New Yorker*, *The Atlantic*, and *Harper's*, as previously stated. One of *The Walrus*'s advantages over these foreign competitors is that the magazine's Canadian editorial slant filled a particular void; a detail that was emphasized in *The Walrus*'s many subscription marketing efforts. The combination of a pre-launch direct-mail campaign and the overall demand for a high-calibre Canadian general-interest magazine pushed *The Walrus*'s audited circulation to 41,000 by its June 2004 issue.⁶

⁵ Keilty, Greg. Circulation and Marketing Plan and Five Year Projection for *The Walrus*, The CM Group, March 2003.

⁶ "The Walrus: 3 Month Period Ending in March 2004, in CCAB, March 2004.

Table 4 Geographic Breakout of Qualified Circulation for February/March 2004 taken from CCAB Report of period ending in March 2004

Provinces	Qualified Paid					Total Qualified Non-Paid	Total Qualified	Total Qualified (%)
	Single Copy Sales	Subscription Sales	Total Paid	Total Non-Paid	Total Qualified			
Newfoundland	...	144	144	16	160	0.4		
Prince Edward Island	...	66	66	7	73	0.2		
Nova Scotia	...	650	650	72	722	1.7		
New Brunswick	...	279	279	31	310	0.7		
Quebec	878	1,399	2,277	156	2,433	5.8		
Ontario	4,145	12,100	16,245	1,345	17,590	42.2		
Manitoba	15	723	738	80	818	2.0		
Saskatchewan	...	612	612	68	680	1.6		
Alberta, N.W.T. and Nunavut	491	1,859	2,350	207	2,557	6.1		
B.C. and Yukon	8,113	4,776	12,889	531	13,420	32.2		
<i>Total</i>								
Canada	13,642	22,608	36,250	2,513	38,763	93.1		
United States	2,209	435	2,644	48	2,692	6.5		
Other Foreign	...	164	164	18	182	0.4		
Outside of Canada	2,209	599	2,808	66	2,874	6.9		
<i>Total</i>								
Qualified Circulation	15,851	23,207	39,058	2,579	41,637	100.0		

Subscriptions Source Analysis

Magazine circulation managers use the term “source” to refer to the various sales channels by which subscriptions are sold; examples include insert cards, direct mail, and phone orders. The source or sales channel of a subscriber is a very important indicator for how subscribers will behave in terms of renewals, gift purchases, donations, and other revenue and cost patterns throughout the subscribers relationship with the magazine.

For example, a new subscriber who was sold a subscription through a trial direct-mail offer (direct-mail source) is less likely to renew than a subscriber who was sold a subscription by voluntarily calling the magazine (phone source) and purchasing a subscription because they read the magazine and liked it. The basic reasoning is that each source defines the relationship that each subscriber has with a magazine.

In the above example, the subscriber that went out the way to subscribe to a magazine would have a stronger relationship with the magazine because s/he placed *effort* (strong bond) into getting the subscription. The direct-mail sourced subscriber responded to a trial subscription offer that came to them in the mail to see if they would be interested in *testing* (weak bond) a subscription out for a while. The subscriber with a stronger bond is therefore more likely to renew or recommend the magazine to friends. Each subscription source has a definable characteristic that has been identified objectively by circulation managers over the course of time.

The most basic life cycle of a subscription is as follows: new order, issue fulfillment, renewal and/or expiry. Each subscription source represents a separate stream of revenue (or cost), which is a portion of a magazine’s combined subscription revenue. Each source is very different in terms of its overall cost, which is gauged by the cost of the acquisition (COA) of *one* subscription. The

COA is determined by the response to the initial promotion and calculated before any actual magazines are mailed. It is more common to have first a loss, and then a revenue gain, when acquiring subscriptions.

For example: if 1,000 direct-mail packages are mailed at a cost of \$600 and 15 orders are purchased at \$30 dollars each, then the COA is \$10 before the first issue of the subscription is even mailed.

Another example: if 1,000 direct-mail packages are mailed at a cost of \$600 and 30 net orders are purchased at \$30 dollars each, then the net revenue of the mailing is \$10 per subscription, again, before the first issue is even mailed.

Below is a listing of the most common sources of subscriptions, their estimated costs per thousand, and the costs of acquisitions amounts. The net loss or revenue is pre-fulfillment, meaning that the loss/revenue is realized *before* the costs of actually printing and mailing the magazines out to the subscriber. For definitions of each of these terms please consult the Circulation Abbreviations and Acronyms on page xi.

Table 4 Common subscription source costs (pre-fulfillment)

Source	Estimate Cost	Estimate Percent Net Return	Approx. COA if price = \$29.75	Net Loss/Revenue
Direct Mail	\$500-750 per 1,000	1-2%	-\$7.7	Loss
Renewals	\$300-600 per 1,000	45-80%	+\$27.0	Revenue
Phone	\$1-2 per order	60%	+\$27.9	Revenue
Inserts	\$10-\$50 per 1,000	1-2%	+\$24.7	Revenue
Email	\$1-2 per order	60%	+\$27.9	Revenue
Free Standing Insert	\$100-150 per 1,000	.5-2%	-\$9.0	Loss
Website	10-75¢ per order	60%	+\$24.0	Revenue
White Mail	10-75¢ per order	70%	+\$24.0	Revenue
Agency	Zero	100%	+\$5.0	Revenue

It is important to note that the mixture of subscription sources does change overtime. This change or migration can be dictated by a modification of the circulation strategy of the magazine, caused by a global change within the industry, or connected to the magazine's position within the magazine lifecycle. *The Walrus*'s circulation strategy was affected by three major factors, two phrased as global—meaning that they affect not only *The Walrus* but other magazines in the same market—and one specific to *The Walrus*'s stage within the magazine lifecycle:

- a global change from the use of traditional sources (such as insert cards) to website orders;
- a global change of increasingly costly direct-mail (list based marketing) because of privacy concerns;
- the typical progress of *The Walrus*, from launch phase to post-launch in the magazine lifecycle.

During the launch phase of *The Walrus*, the initial subscriber base was produced by four of the more traditional subscription sources: direct mail, phone orders, white-mail, and—the most “modern” source—website orders. The majority of these were recorded within the first six months of the magazine life. As the magazine aged, the “hype” lessened, and therefore the inflated demand for subscriptions decreased slowly over time—insert card, telephone, and other passive or organic orders started to fall to what could be considered a nominal rate.

Table 5 Subscription source migration*

Time frame	First 12 months	Months 13-24	Months 25-36	Last 12 months '07
Dates	Sept. '03 – Sep. '04	Oct. '04 – Sept. '05	Oct. '04 – Sep. '05	Mar. '07 – Mar. '08
Life cycle phase	Pre-launch and launch	Launch/post-launch	Post launch	Growth Phase
Direct Mail	62%	22%	19%	13%
Renewals	4%	43%	37%	34%
Phone	6%	7%	6%	6%
Inserts	15%	11%	11%	8%
Email	2%	1%	1%	1%
Free Standing Insert	0%	0%	0%	2%
Website	9%	13%	13%	21%
White Mail	2%	3%	3%	2%
Agency	0%	1%	8%	7%
TOTAL	100%	100%	100%	100%

During this slow decline, 12 months and on into the magazine's life, a change in cultural buying habits began: the migration from organic traditional-subscription sources such as insert cards to the newer medium of website orders. In late 2004 list rental prices started to increase as more names were being removed from list databases to fall in line with the tightening of privacy legislation; this in turn increased the overall cost of list-based marketing such as direct mail. Though traditional subscriptions sources still remain useful to Canadian magazines, they are more expensive than in the past, causing a rethinking of the circulation model within Canada.

Subscriber Expiry Landscape

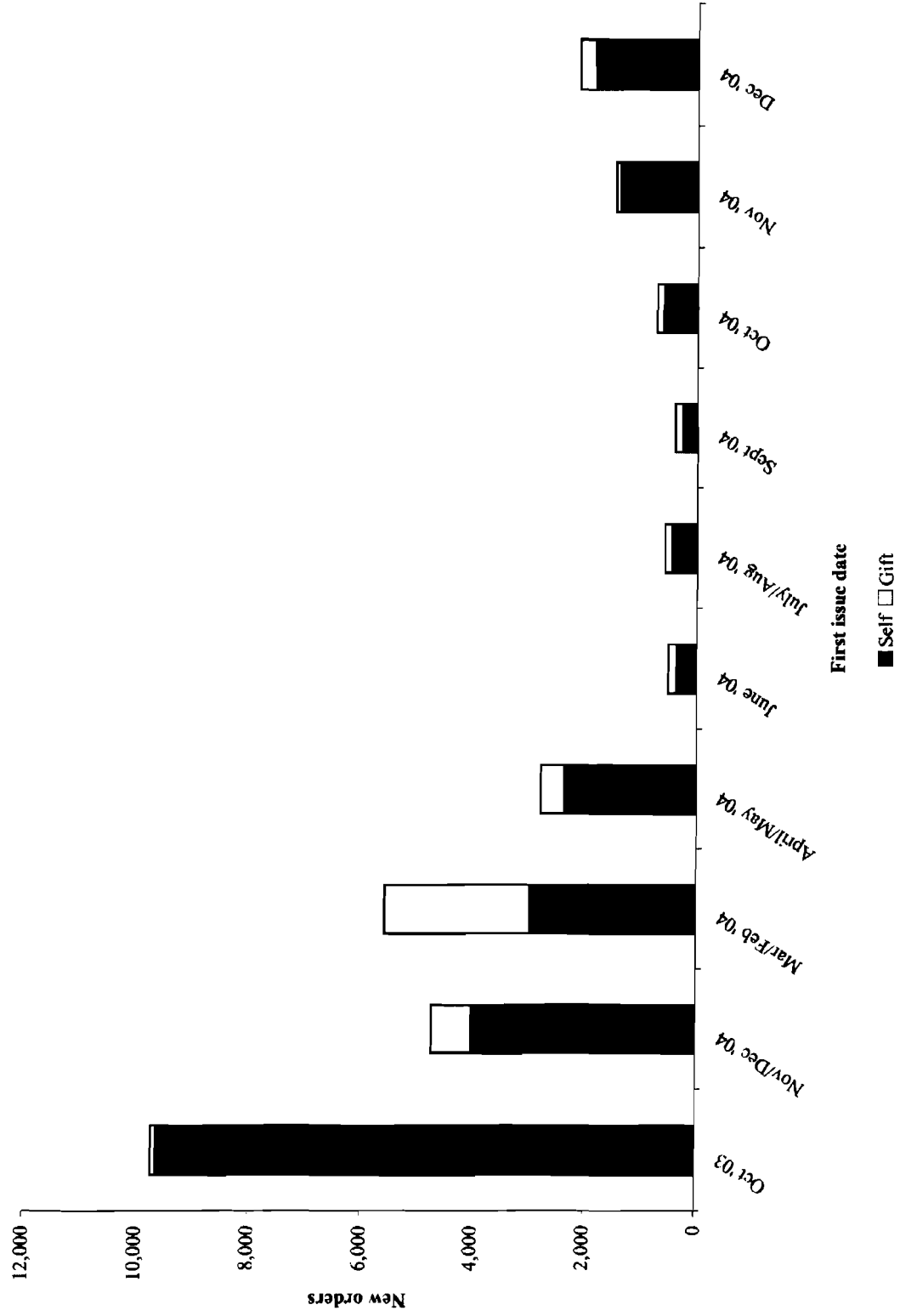
Much of what made *The Walrus*'s launch a success was the substantial sale in subscriptions within the first four months (or two issues). The three sources of these sales were a direct-mail campaign, newsstand subscriptions cards, and inbound telephone orders. Figure 2 provides an overview of new subscription sales per issue in 2003. If a one-year subscription was purchased in October 2003 then it would expire 10 issues later and the renewal process would begin

* Note that estimates were used for email and white mail for the first three column of this table.

approximately six to seven months before expiry (i.e. June 2005). Note that the increase in gift subscriptions in the November/December 2003 and February/March 2004 issues were generated by seasonal gift giving. The timing of these particular expires⁷ has a dramatic effect on cash flow, particularly during the renewal marketing period. As figure 2 indicates, the October 2003 pool of expires was particularly large. The initial costs of sending a renewal out to this group of subscribers would not be offset for several weeks, as returns must filter back through the mail stream. Such a delay causes a temporary cash-flow crunch.

⁷ Subscriptions that are about to expire or that have expired are often referred to as “expires.”

Figure 2 Representation expire pools: gift and self-subscriptions.



Readership Survey

The Walrus conducted an online survey of its subscribers from April to August of 2004.⁸ Prior to the survey, the magazine's management team assumed the readership was similar to that of comparable magazines in the United States, such as *Harper's*—wealthy and highly educated. The survey was conducted in order to back these assumptions up with fact and provide subscriber demographic information for further circulation marketing and potential advertising sales, as well as to obtain reader feedback about the magazine. Exactly 1,744 people were surveyed and of that 69% completed all questions in the survey. Here are a few survey questions and top answers:

- Sixty-five percent of those who answered felt that *The Walrus's* mission of covering international stories with a Canadian perspective was *extremely important*.
- Only 26 percent of those who answered felt that *The Walrus* was completing this mission *very well*, with 50 percent of those who answered stating that the magazine was doing it *well*.
- Seventy-five percent of those who answered felt that *The Walrus's* dedication to long-format feature writing and investigative reporting was *very important*.

The survey also confirmed pre-launch readership predictions, in that *Walrus* readers were found to be highly educated, wealthy, urban individuals, with a near 50/50 male-to-female ratio.

Overall, the readership survey showed that *The Walrus* was the editorial package that the readership had been promised when they subscribed, but with room for improvement. This was a very positive sign, as the magazine was still young and had room to grow.

⁸'Walrus Readership Survey,' at Internet: <http://results.survey.walrusmagazine.com>, August 28, 2004.

Advertising

At the time of the survey, in late 2004, *The Walrus*'s advertising revenues were growing at a slower rate than the circulation. This is normal with young magazines because advertisers are very cautious when investing in a new platform.⁹ This slow advertising growth created a situation where the magazine's advertising rates did not reflect its circulation success. Various efforts were made to draw attention to *The Walrus*'s high-quality advertising value and therefore calm the nerves of cautious advertisers. These efforts included the above-mentioned readership survey and an earlier-than-scheduled circulation audit.

Table 6 CPM based on full-page advertising rates and circulation numbers from CARD Media.

Publication	Cost Full Page	Paid-Circulation	Cost per Thousand
<i>The Walrus</i>	\$4,250	39,058	\$108
<i>Geist</i>	\$1,195	4,506	\$265
<i>Maclean's</i>	\$32,600	425,404	\$76
<i>Maisonneuve</i>	\$5,700	7,538	\$756
<i>The Beaver</i>	\$5,850	49,004	\$119
<i>Canadian Geographic</i>	\$14,990	215,993	\$69
<i>THIS Magazine</i>	\$1325	4,243	\$312

Table 7 outlines several Canadian magazines and the cost for a one-page color advertisement per thousand (CPM) magazines circulated. Magazines with a very small circulation tend to have a higher CPM, where magazines with large circulations have a very low CPM. Though there has been no quantitative study about this phenomenon, it is generally accepted that smaller magazines must demand a certain price for survival. Examples of these smaller magazines are in the top-left

⁹Matt Rosen: Accountant and Advertising Salesman of *The Walrus*, interview by author, October 10 2004, Toronto, ON. Personal.

area of Figure 1, where circulation quantities are low but costs per thousand for each advertisement are high. However, advertisers are only willing to pay magazines with a larger circulation a diminishing amount per thousand beyond a certain value point. Examples of these larger magazines can be seen in the bottom-right of Figure 1, where circulation quantities are high, but costs per thousand are low. This phenomenon makes pricing for medium-sized magazines, such as *The Walrus*, very difficult. The perceived value of the magazine, as seen on Figure 1, falls somewhere between the smaller magazines with high CPMs and larger magazines with lower CPMs. Overall, the advertising buyers' perceived value of the medium-sized magazine becomes the guiding force.

The graphical analysis gives a clearer indication of the perceived value of *The Walrus* in the marketplace. At the time of writing, *The Walrus* was selling its advertising at a CPM of \$108 for 39,058 paid-circulation. If we were to try to tease out a rule or trend based on all of the independent magazines represented in Table 7 it would best be found by using exponential regression analysis—or, in other words, by plotting a trend line that best fits the information at hand.

Using Microsoft Excel as an aid, an exponential trend-line was created—it is the dark curved line in Figure 1. The mathematical representation of this trend line, also provided by Excel, is presented below, where y equals the advertising cost per thousand and x equals the paid-circulation, based on the information in table 7.

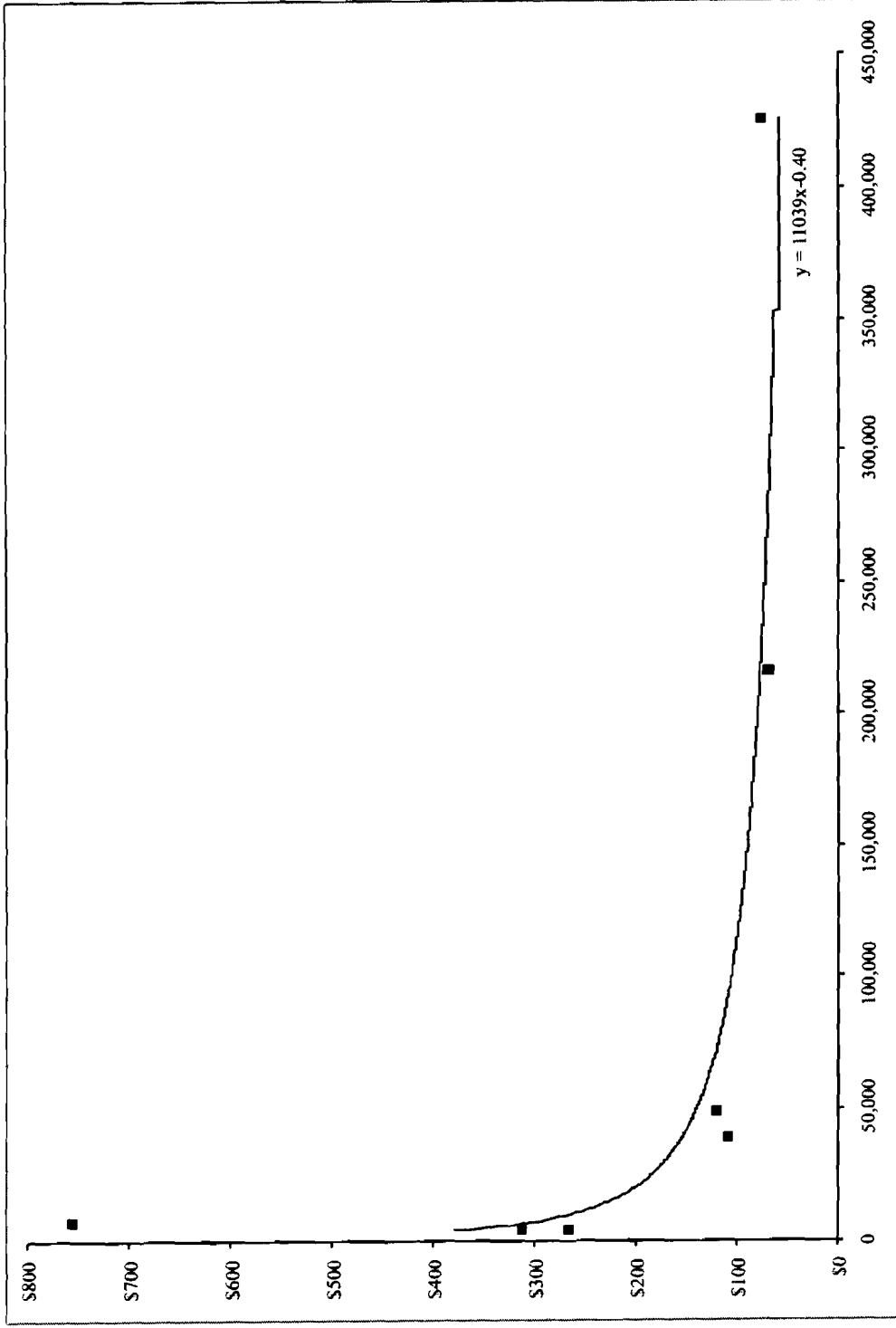
$$y = 11039x^{-0.4036}$$

For example, if a magazine had a paid circulation of 10,000, where $x=10,000$, then the potential value of its advertising in comparison to the magazines in table 7—using the above function—

would be \$268 per thousand of paid magazines circulated. Using the same function, *The Walrus's* CPM should actually be \$154, which is a 41 percent rate increase over the 2003 rate card.

Therefore, the perceived value of *The Walrus* was quite low at the time. While *The Walrus* could have been asking for a higher rate for advertising space based on its circulation success, advertisers were still waiting for a more stable or established readership. Perceived value is difficult to build in the early stages of the magazine cycle. This lag is one of many growing pains that account for low cash flow and the possible death of a new magazine, regardless of other actual successes.

Figure 2 A scatter graph representation of Table 7 with a trend-line.



Distribution and Newsstand Sales

The Walrus initially contracted its newsstand distribution to Gordon & Gotch, one of Canada's few national magazine distributors. One of the major advantages of Gordon & Gotch over other distributors was its relationship to the Chapters and Indigo chains—it has exclusive rights to distribute within the chain.¹⁰ Despite Gordon & Gotch's experience, the launch did not go smoothly. There were insufficient copies for newsstand orders on the launch day—a complete disaster. This error was caused by shipping problems, but was rooted more deeply in the lack of communication within the distribution system itself. The national distributor did not inform the wholesalers about the large demand and anticipation for the magazine. Shipments of magazines arrived at different times throughout Canada; some regions received the magazine too early and sold out, while other regions did not receive the magazine until weeks after the national launch day. The newsstand distribution system in Canada is controlled by several corporations that must work together to properly manage and fulfill the needs of many different types of magazines with a wide range of distinctive needs and marketing strategies.

Examples of differences included: time on the shelf (one week for *Maclean's*, versus three months for *Lapham's Quarterly*), targeted retailers (bookstores for *Quill and Quire*, versus drugstores for *Fashion*), or geographic concerns (Toronto for *Toronto Life* versus Alberta for *Alberta Views*).

Within the most basic newsstand relationship there are four parties involved: the magazine, the national distributor, the regional wholesaler, and the retailer.

- The publisher produces and provides the magazines for distribution.

¹⁰Abacus Circulation Inc., Taking Back the Rack: Amid New Challenges, Canadian Magazines Compete for Visibility on our Newsstands (Toronto: Abacus Circulation Inc., 2003), 55.

- The manager and controller of the supply chain is the national distributor. Their duties are comprised of, but not limited to: the account system behind every single-copy sale, negotiating retail shelf space, purchasing retail shelf promotions for the publisher, setting the quantities and schedule of distribution, and the reporting and tracking of sales information.

The national distributor sets the draws—the amount of issues distributed to each retailer—by trying to anticipate the demand for the magazine across the different retailers. Draws can be managed across geographic regions right down to the individual store level.

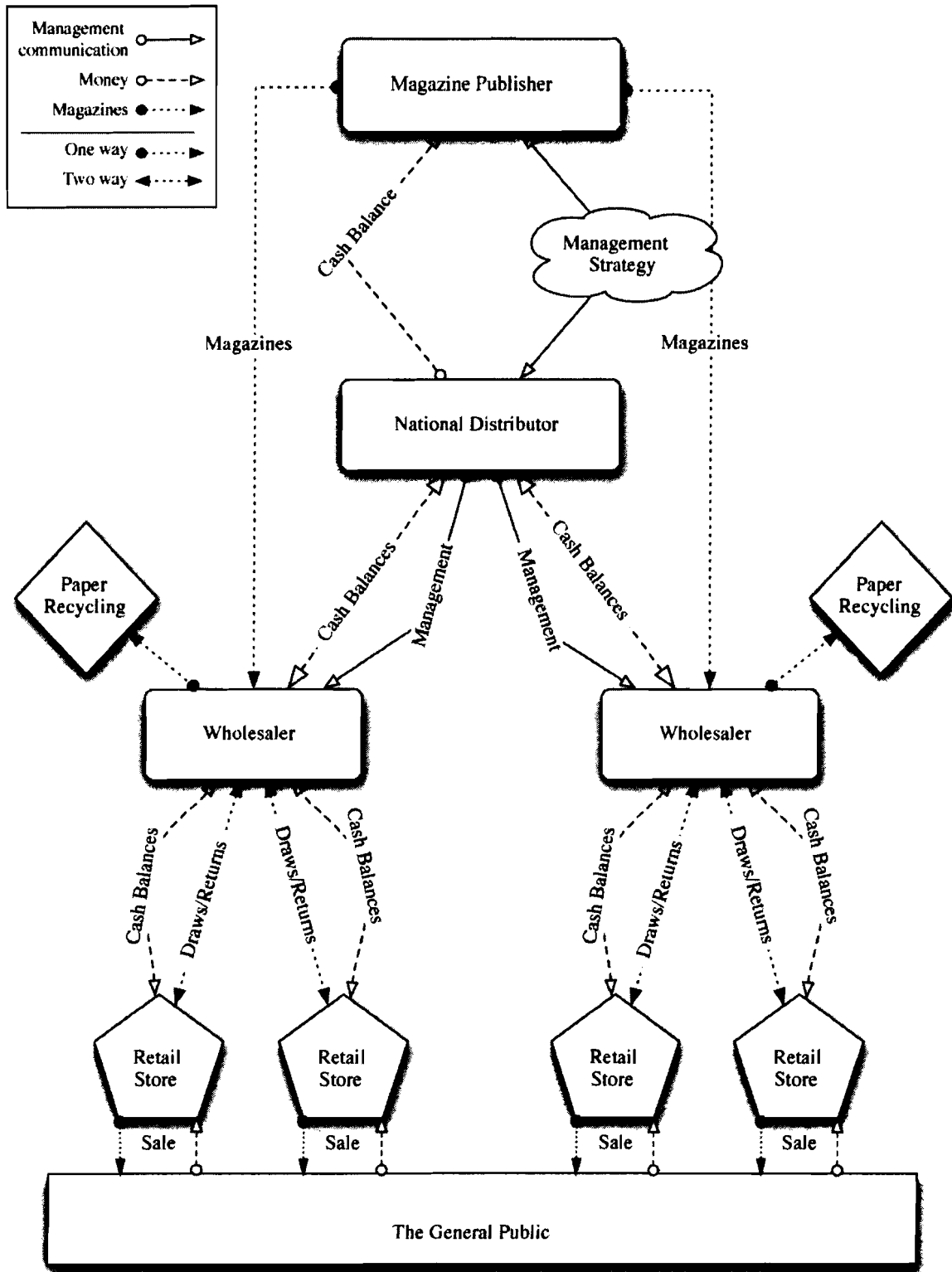
The national distributor would also be responsible for controlling the overall cover price for the magazine, which can be determined by several factors (the most common being geographic region). For example, it is common that the cover price of the magazine would differ in Canada when compared to the United States cover price.

- The act of delivering and accounting for the quantities of each magazine sold and unsold through the retail store network is the responsibility of the regional wholesalers and their delivery fleet.
- The retailer, the actual seller of the magazine, ranges in size from a local, family-run corner store to a larger bookstore chain such as Chapters, or a small specialty store that only carries a few titles on the magazine rack.

The retailer has very little control over the draws of each magazine, but is able to return unsold magazines at will. If too many magazines are sent to a retailer for display in their stores, the retailer often sends them back to the wholesaler before they should be returned. These *returns* are called *premature returns*.

Figure 2 illustrates the supply-chain flow of new magazines, unsold magazines, revenues, and management communications, from the publisher down through the national distributor, wholesalers, and to the retailer level and into the hands of the general public. The illustration would represent a weekly snapshot of actions tied to the weekly delivery of magazines to the retail level; each retail store is visited by the wholesalers' delivery trucks once a week to collect returns and deliver new magazines.

Figure 3 Flowchart of newsstand supply chain transactions and management



Supply problems of varying sizes occurred repeatedly through all of the subsequent issues—magazine distribution for individual stores was often well above what was needed, while other stores simply did not receive enough copies.¹¹ An example of this problem occurred with the September 2004 issue. The issue had been receiving extensive publicity and media coverage because of its headline piece on Grant Bristow¹² (a Canadian spy who infiltrated and broke up the racist Heritage Front organization). However, the magazine was not distributed in the Greater Toronto Area because of a similar timing problem with the regional wholesaler—the issue appeared on newsstands after the peak of *The Walrus* issue-specific publicity campaign. The result was a loss of sales, despite the media attention.

At the end of September 2004, Gordon & Gotch was bought out by a larger distribution firm called Disticor.¹³ This forced change with distribution contractors was seen by *Walrus* management as a positive move. Alexander hoped that many of the issues that had plagued *The Walrus*'s distribution with Gordon & Gotch would be corrected.¹⁴ Disticor promised several changes with the supply chain that would yield more sales, such as a closer partnership with the newsstand wholesalers and better management of the supply chain by using more up to date technologies and methods. Unfortunately, problems continued. Newsstand distribution was continuously inefficient and any possible revenues are typically eaten away by high newsstand copy returns, as the publisher does not gain any revenue from unsold copies but is still responsible for the cost of their distribution and printing costs. The source of the higher copy returns was ultimately due to a lack of experience at *The Walrus* and over-distribution across the supply chain. The range of the sell-through rate of *The Walrus* during this period was approximately 35 percent. This means that in a best-case average, between 65 percent of the

¹¹The publisher's favourite example of this is Book City, on Queen St. W. in Toronto, where they receive between 200 and 300 issues and sometimes only sell 50.

¹²Andrew Mitrovica, "Front Man," *The Walrus*, September 2004, 33-45.

¹³"Gotch cherries divvied," *Masthead*, September 2004, 6.

¹⁴Ken Alexander: Publisher of *The Walrus*, interview by author, October 14, 2004, Toronto, ON. Meeting.

magazines distributed were returned unsold and pulped for paper recycling. The approximate sell-through rate for *The Walrus*'s competitors on the newsstand, such as *Harper's*, was typically around 38 to 40 percent, almost 5 percent more. This gap gradually decreased over time as Disticor's experience with *The Walrus* matured. The most immediate gains were achieved by paring down distribution to ill-performing retailers (specifically retailers who consistently sent *premature returns* back), and expansion into areas where *The Walrus*'s competitors were selling well. This tactic of "following the leader" proved to be the most useful, as the sales history and patterns of *The Walrus* were limited by its young age, hindering the initial distribution strategy.

Disticor's rival, Coast to Coast Newsstand Services Partnership, was developing its own newsstand distribution business, which promised to revolutionize newsstand distribution by making all communications throughout the supply chain accessible to the publisher. However, nothing short of changing the entire industry from the retail level upwards will improve any of the inefficiencies across the supply chain.

The problem within the supply chain is the technology available at the retail level. Publishers want fast and up-to-date sales information, as any product-based industry would want. The entire distribution system is almost entirely reliant on the data collected and managed by the magazine sellers at the retail level, which creates a bottleneck for the entire supply chain. The bottleneck is the inconsistency of technology used at the cash-register level. On one end of the spectrum you have a large retail chain such as WalMart, which is able to track magazine sales across all of its stores by the minute using a barcode-based nationwide database. On the other end you have local corner stores using basic cash registers and no record of sales information until they have removed one month's issues to make room for the next and have shipped the returns back to the wholesaler. Even within that time frame they use a pen and paper to record the information, which needs to be checked and transferred to a database. Current stock is not controlled or

monitored. Other bottlenecks occur during the final sale accounting, which are recorded after the returns are shipped back to the wholesaler's. Generally, wholesalers do not trust the retailers to provide accurate numbers due to concerns over fraud and general inaccuracy, and their counts are checked again, adding to the length of time it takes to count total issues sold. All of these human steps during the accounting of the newsstand distribution workflow add further room for error and slow the system down. On top of the bottlenecks that occur at the retail level, each wholesaler uses a different form of reporting sales information which then needs to be collected, translated, and reconciled by the national wholesaler. With all of the global and specific inefficiencies across this supply chain it can take between four to six months to receive final sales figures for a monthly title.

Subscription Fulfillment

There are two options for magazines to fulfill their subscription orders: handle them in-house or contract out to a dedicated fulfillment firm. *The Walrus* started with a minimal crew of employees handling the business side of the magazine, therefore the natural solution was to outsource subscription fulfillment. In hindsight, this turned out to be the best choice, as the initial success of the magazine would have overwhelmed a small in-house fulfillment team.

The Cornerstone Group was selected to manage and fulfill *The Walrus*'s subscriptions database because they had offered a lower price than other companies at the time; it was also more affordable than internal subscription management. This lower cost was offered because *The Walrus* was Cornerstone's first client in their newly launched subscriber management wing. Cornerstone also had an advantage in that an entire division of their company was devoted to list brokerage. List brokerage is the management, analysis, and rental of an organization's database of names and addresses. It is the basis of direct marketing techniques such as direct mail and is

therefore a very important part of traditional magazine subscription sales. For example, the launch of *The Walrus* was a great success because of the subscribers found (and sold) through list marketing. Typically there would be a separate company who would rent the subscriber database out to third parties; at Cornerstone these two functions were done under the same roof, thus minimizing the management efforts of the circulation manager.

In actual fact, the ready access to information became its own problem. Initially, so many reports were being issued by Cornerstone that filtering and finding the most pertinent information became increasingly time consuming and challenging for an already understaffed magazine. On average, Cornerstone issued 12 reports a week (via email) focusing on: prepress information for invoices and business correspondence, direct mail and other campaigns, sales information about various marketing campaigns, renewals effort sales, and accounting standings. With so much information being reported the publisher, associate publisher, and the circulation director found it difficult to filter out what was relevant.

Circulation Grants

Most Canadian magazines rely on federal or provincial grants for some financial support. During the launch phase, *The Walrus* was ineligible for many of the grants available to the magazine industry. While it is risky to rely on grants for financial stability, the grants would have allowed *The Walrus* to expand beyond its cash-flow restrictions. In the post-launch phase *The Walrus* successfully applied for two Canadian Heritage Grants: Support for Editorial Content (SEC), based on expenditures for publishing Canadian artists and writers, and Publications Assistance Program (PAP), based on the number of paid subscriptions mailed through Canada Post.

Competition

The Canadian Syndrome

The Walrus entered the Canadian magazine industry with a splash. It would be competing with some of the most respected magazines in North America: *Harper's*, *The New Yorker*, and *The Atlantic*—magazines with a combined age of well over 300 years. This story made for good media attention. Whether it was the seemingly cocky disposition of *The Walrus* or its early success, skeptics soon came forward to criticize the magazine. The July 2004 issue of *Toronto Life* printed a four-page article by Robert Fulford critiquing *The Walrus*.¹⁵ The majority of the article was an attack on Ken Alexander and his background—the tone was very personal.

The Walrus's launch was met with doubt and a bit of resentment; most of these feelings were rooted in *The Walrus* management team's lack of any publishing experience and the source of funding: Alexander's wealthy family. To add to these general feelings, many magazines promising to be the Canadian answer to *Harper's*, *The New Yorker*, and *The Atlantic*—often with more experienced staff and more reputable forms of funding—have come and gone. *The Walrus* promised to be as brash, large, and formidable as its animal namesake. This brashness, trumpeted by its inexperienced management staff, furthered feelings of ill will. The talk of the town was not *if The Walrus* would go under, but *when* it would go under.

Charitable Status as a Competitive Advantage

With initial funding of \$5 million to ensure its initial survival, the funding scheme for *The Walrus* was what really separated it from the majority of other newly launched Canadian magazines. To gain access to this money, The Walrus Foundation (the official company that published the

¹⁵Robert Fulford, "Tusk Force," *Toronto Life*, (Toronto: July 2004), 61-4.

magazine) needed to gain charitable status from the Canada Revenue Agency. In the U.S. charitable status is the backbone of many magazines with a similar focus and structure to *The Walrus* and it is often their only means of survival. (Examples include *Harper's*, *Mother Jones*, and *The Atlantic*.) Magazines that can rely on charitable status in the U.S. can export their “product” to Canada to compete against non-charitable Canadian magazines with less funding; charitable status becomes a clear economic advantage. In some cases, Canadian magazines have looked to the U.S. for charitable status as it is far easier to be granted the status in the U.S.. Vancouver-based *Adbusters* magazine unsuccessfully tried to gain charitable status in Canada several times. The magazine was eventually granted the status in the U.S., allowing it to operate successfully without any advertising revenue.

In Canada there are no specific guidelines governing charitable status; it is solely based on common law and precedent. In the case of magazines, they qualify only if the majority of their work is educational in nature: the base foundation must hold conferences, publish non-political books, run internships, provide training and lectures, and engage in other ventures deemed educational. Publishing a magazine can be *one* of these many education exercises. In January 2006 the CRA granted charitable status to The Walrus Foundation. This has since allowed the Foundation to conduct fundraising activities to support the magazine. One of the many stipulations of the CRA’s agreement was that the magazine must maintain a 70 to 30 percent editorial to advertising ratio and, in practice, must run a yearly deficit. These two factors will undoubtedly hamper *The Walrus*’s ability to break even in the coming years. Regardless of the constraints on The Foundation, its main source of fundraising revenue are lump sum donations from the Chawker’s Foundation several times a year. It is this money that allows *The Walrus* to operate with a deficit. Other sources of fundraising include limited donations from subscribers, corporate sponsorship, and in-kind donations from suppliers. The last example was a creative way

to ease cash-flow problems; regular suppliers to the magazine would donate their services or products instead of charging for them.

Overall *The Walrus*'s quest for charitable status may have caused more harm than good as it focused all attention toward gaining the status instead of the development of basic and structural business practices that would return in the long run. The idea that donations would always save the day in the end was at the core of the management's strategy and hope for success. This belief was reinforced or amplified by the magazine's early success. In late 2006 and early 2007 these belief structures were for the most part removed from the managerial outlook of the magazine, and the real work of building a sustainable magazine and foundation began.

Competing Publications

Any magazine in Canada or abroad faces competition in two main areas: readership, and advertising dollars, which are based on the size of your readership.

Readership

The initial outlook for *The Walrus* assumed that the majority of the competition for readers would come from U.S. magazines distributed in Canada. The big three (as discussed previously) are *Harper's*, *The Atlantic*, and *The New Yorker*, all of which are generally placed near *The Walrus* on newsstands. Several smaller American titles also compete for a similar demographic; these include *Mother Jones*, *The New Republic*, *The Nation*, and *Foreign Affairs*, all with left-leaning political slants directed toward the politically and socially aware reader. Much of the marketing of these magazines is focused on newsstand sales, as "U.S. magazines make very little effort to develop Canadian subscriptions, they are the dominant players at the newsstands in Canadian supermarkets, drugstores and bookstores, where Canadian publishers have the economic odds

stacked against them.”¹⁶ U.S. titles are able to use their economies of scale in the form of massive print runs to completely undercut the subscription prices of most Canadian magazines. For example, in mid-2005 a subscription to *Harper’s* magazine, as advertised on a blow-in card found in a newsstand copy, was just \$17—drastically lower than the \$29.75 for a subscription to *The Walrus*. In addition many of the magazine in the U.S. have long-standing brand awareness and a loyal following, both in Canada and in their home country. This price difference’s negative impact on *The Walrus* is exacerbated by the fact that *Harper’s* publishes 12 issues per year, whereas *The Walrus* publishes only 10. There would be no way for a magazine such as *Harper’s* to price its subscriptions at such a rate if their press runs were as low as a comparable Canadian title, as Canada’s population is too small to take advantage of economies of scale.

In addition to these U.S. titles, *The Walrus* has to compete with several Canadian publications. Many are magazines with a smaller Canadian distribution and a lower production value, such as *THIS Magazine*. Others, like *The Beaver* or *Geist*, have a highly focused editorial direction (in these cases, Canadian history and literature, respectively) and are therefore located in a different category on the newsstand. The only paid Canadian title with parallel direction and slant to *The Walrus* is *Maisonneuve*, which has had less circulation success¹⁷ but remains very popular among magazine readers.

Maclean’s, a weekly magazine, is not a direct competitor to *The Walrus*, but because there is some overlapping content, it nonetheless poses a threat on newsstand and subscription sales. In many ways, *Maclean’s* is able to price other magazines out of the market due to its large print run. Moreover, as a Canadian icon, a large portion of the *Maclean’s* subscriber base is extremely loyal; the company has an enormous subscriber list available for rent. This provides a very large

¹⁶ Abacus Circulation Inc. *Taking Back the Rack: Amid New Challenges, Canadian Magazines Compete for Visibility on our Newsstands*. Toronto: Abacus Circulation Inc., 2003, 8.

¹⁷ *Maisonneuve’s* circulation was 7,538 paid and 6,462 non-paid as reported in CARD January 15, 2004.

database of addresses that other magazines can use as a source for direct marketing subscription campaigns.

Advertising

One of the major advantages of *The Walrus* over its Canadian competition has been its initial circulation success—advertisers like to see large paid-circulation numbers and to see the publication in the news. Regardless of its earlier success the cornerstone of *The Walrus*'s advertising strategy was the quality of its readership over the quantity. The readership of the magazine was touted as a very highly educated and wealthy slice of the Canadian population and advertising buyers were pitched the idea of access to this exclusive club. This was something that rival paid-circulation magazines could not provide and *The Walrus*'s advertising department seized that idea and wove it into its daily sales strategy. This became increasingly important after charitable status was granted, as the magazine was limited to only 20 percent advertising to ensure its educational mandate. Therefore the advertising department had to seek out those advertisers that were willing to pay top dollar for access to the *Walrus*'s readers and also maintain a very high page rate that was needed to make the most of the 20 percent cap. With its growing circulation base and proportionally lower cost of advertising, *The Walrus* has little to fear from smaller magazines such as *Geist* or *THIS Magazine*. These magazines may be better placed to sell to micro-regional advertisers, such as independent specialty bookstores, but such advertisements reap less revenue. Many U.S. titles that share rack space with Canadian magazines are able to attract more universal brands such as car manufacturers, pharmaceuticals, or appliances because of their cross-border distribution. Ford or Starbucks would not buy two sets of magazine advertisements when a single one placed in a larger U.S. title would effectively reach both markets. Much to the chagrin of *The Walrus* advertising department, many well-known titles such as *The Atlantic* are able to attract immense public awareness campaigns from large corporations

such as British Petroleum and Chevron, whereas their Canadian divisions refuse to spend the money on such advertising.

Some of the strongest contenders for advertising revenue in 2004 and 2005 were large controlled-circulation magazines—nationally *Saturday Night* and *Toro*, (both now defunct) and, to some degree, city magazines such as *Vancouver*. The majority of these magazines are owned and operated by large media companies. Controlled magazines are distributed freely through newspapers and/or unaddressed mail, typically targeting urban geographic markets. A controlled-circulation magazine's entire model is based on advertising revenue. Unlike paid-circulation magazines, proof of readership is typically calculated by market measurement services such as the Print Management Bureau. There are two advantages to controlled-circulation magazines: they can be distributed on a very large scale and they are able to tailor their editorial content to advertisers. This last compromise would never happen at *The Walrus* for ethical reasons and would never be accepted by its readership.

Advertisers are torn between the wide audience of controlled-circulation magazines and the consistent and deep-rooted audience of paid-circulation magazines. *The Walrus*'s associate publisher and head of the advertising department, Rolf Dinsdale, was more than optimistic about the future of *The Walrus*'s advertising revenue because, he said, "it is one of the few magazines that effectively and efficiently delivers an elite audience in Canada via paid-circulation—adults 25 to 54 who are well educated, professionally employed, affluent and opinion leaders"—his term was "thought leaders." He explained that "this is a target audience that print has traditionally been used for, for a wide variety of clients—automotive, financial services, travel, luxury goods, cultural products, corporate reputation management and others." At the time, controlled-circulation magazines were absorbing a great deal of advertisers' attention, but according to Dinsdale, with the quality of *The Walrus*'s readership advertising should hit its full potential by

year 2007-08. That said, during the launch phase advertisers were hesitant about perceived value of *The Walrus*, and this placed a huge strain on revenue. Paid advertising takes time to build, whereas controlled-circulation magazines can produce hundreds of thousands of “possible” readers overnight.

Controlled circulation magazines do have two large disadvantages. The first is their single-sourced revenue in advertising. Advertising revenues are highly susceptible to market shocks or industry changes, while subscription revenues are typically shielded from short-term market changes and provide a steadier form of cash flow. The second disadvantage of controlled circulation is proof of readership, which is very important to advertisers. Paid-circulation magazines are able to prove their circulation because of the request and payment trail left by subscribers. Controlled circulation magazines must invest in survey based research, such as Print Management Bureau, to prove readership. Though the Print Management Bureau research does provide good demographic information about readers it can sometimes backfire when trying to prove large circulations. For example, *Toro*'s first measurement reported by Print Management Bureau in 2006 stated that they had less than one reader per copy distributed (0.9), whereas most magazines have a multiple of each copy they distribute. As controlled magazines are not requested or purchased, they typically have a much lower reader per copy. Recipients either just don't read them or treat them like an advertising insert, as many are delivered inside newspapers.

Post-Launch *Walrus* — What Now?

The preceding sections have provided a launch-focused situational analysis of *The Walrus* during the launch period (from October 2003 to December 2005), examining several important factors such as advertising, management style, and editorial. These factors provide a framework for how *The Walrus* proceeded into the post-launch period, starting in January 2005 and ending October

2006. Not only do these factors create a framework for this particular discussion, but together they are also the engine that drives *any* magazine towards a stable future. Though *The Walrus* is unique in many ways, much can be taken from how it entered the post-launch period. A successful magazine's life cycle is one that exhibits a smooth growth period after the launch period. The management of this period is more crucial to the future growth and stability of the magazine than any other period because it establishes a workable base for future revenues.

With the launch success of *The Walrus* leveling off in late fall 2004, and many new challenges around the corner, the main question of the management team was: *what does the magazine do now?*

This next period in a magazine's life cycle, post launch, is more important to the future than its earlier achievements or failures, as the circulation management strategy set at this point would pave the way for stable cash flow and long-term financial survival. *The Walrus*, coming through its successful launch period, was not exempt from the need to carefully navigate the post-launch period. During this period it is better to describe subscribers as long-term investments, considering the high initial cost of a new subscriber versus the future circulation revenue generated. Therefore converting launch-subscribers into long-term readers—or revenue sources—is essential, as is replacing expired subscribers with new ones.

Part Two: Post-Launch Circulation

The post-launch period is marked by the beginning of the renewal period and thoughts of circulation growth; it is a time when expenses are high but advertising revenues are low. This period is important as the circulation strategy for the magazine must be set forth and followed, regardless of the hindrances of cash flow, or the magazine could stall and fold. The best analogy, as mentioned before, is that of “teething”—a stage of development when an infant is helpless and hungry and can barely chew its own food, but is coming into its own. *The Walrus*, with its initial success during its launch, did not avoid the stress of the post-launch period and had to navigate it carefully. The following section will review and comment on *The Walrus*’s circulation strategy during this period, discuss the importance of renewals versus first-time subscribers, and describe other challenges that the magazine faced during post-launch, such as source migration from traditional order-taking devices to the online world. All these factors are important to any magazine’s management, regardless of the unique situations and issues with which each magazine must contend.

Perspectives on Circulation

Circulation management involves a combination of direct and general marketing, subscription planning and management, promotional writing and design, newsstand management and sales, financial analysis and forecasting, and many other interconnected responsibilities. It requires the use of a simultaneous mixture of quantifiable and experience-based skills. This mixture is determined by the circulation manager or director. Some managers use statistical analysis linked

to highly complicated circulation models; others make decisions using only past experience and gut feeling. The majority uses a combination of these two modes.

During the launch phase at *The Walrus*, circulation performance predictions were based on expected industry standards. Most of these standards are carried by “old hands”—circulation experts with a great deal of past experience in the industry. *The Walrus* surpassed all expected results and was quickly deemed a wunderkind of the industry. This early success raised expectations for all circulation promotions after the launch period. These expectations were instilled in upper management, while traditional, quantitative management in the form of industry circulation benchmarks were left by the wayside. Only during budget season and during times of project failure, such as a poor response from a direct mail, was thorough analysis used.

Renewals vs. First-Time Subscribers

The beginning of the renewal cycle—the time when launch subscribers near the expiration of their subscriptions—also marks the beginning of the post-launch period and is the single most important hurdle for any new magazine to overcome. Converting a large portion (55 percent and higher) of first-time subscribers to regular subscribers sends a message to the magazine industry—and to advertisers—that the magazine is stable, has a dedicated audience, and has a firm footing for future growth. Moreover, stable circulation secures revenue (present and future) that will increase the magazine’s cash flow and therefore keep the magazine financially afloat as advertising stabilizes. In all circulation costing models, from the most simplistic to the most complex, the idea of the subscriber as a long-term investment is standard because, for the most part, subscribers react (i.e. renew, cancel, and pay their invoices) in a predictable and quantifiable way in the Canadian magazine industry. Subscription renewals are thus a stable source of

revenue. Additionally, subscription revenues are typically insulated from market shocks and other external changes, whereas advertising revenue is not.

Regardless of the type of campaign, the net cost of acquiring a first-time subscriber is typically more expensive than the actual cost of fulfillment (i.e. printing, mailing, and handling the subscriber's account), particularly during the launch period. For example, the circulation plan for *The Walrus* predicted that the initial investment into first-time subscribers during the launch (September 2003 and October 2004) would be recouped by the second quarter of 2005 because of the lower costs of renewing them.¹⁸ It costs six to ten times more to acquire a new subscriber than to renew a current subscriber. It is for this reason that renewals are taken so seriously—between four to ten efforts (either mailings, telemarketing, or cover-wraps) are sent to each subscriber beginning six months before expiration. In Canada, the average conversion rate (the rate at which subscribers renew for the first time) is 43 percent and this percentage increases with the second and subsequent renewals to 63.5 percent.¹⁹ The reason behind this increase of returns per subsequent renewal cycle is increased subscriber loyalty. The renewal process is very much like distilling whiskey: the more it is distilled, the stronger it gets. The more a particular subscriber pool is renewed over the years, the more loyal to the magazine these readers become. Loyal subscribers mean it becomes easier and cheaper to renew and maintain their subscriptions, and therefore a higher yield of revenue is realized.

The understanding that the subscriber is a long-term investment is important to keep in mind. A new subscriber can cost up to \$10 (after payment and without fulfilling the subscription) through a traditional source such as direct mail, but after a few years of renewals the same subscriber can cost as little as 50 cents.

¹⁸ Keilty, Greg, Circulation and Marketing Plan and Five Year Projection for The Walrus, The CM Group, March 2003, 5.

¹⁹ Taken from The ABCs of Circulation Course Guide - CMPA

The initial round of renewing new subscribers (the act of *converting*) went extremely well for *The Walrus*. Using a renewal plan of eight mailed efforts, the overall conversion rate was 57 percent. Of these, 35 percent opted for the continuous-renewal service, where a subscriber is renewed automatically and then receives a bill at the end of each year.²⁰ According to *The Walrus*'s Circulation Director, Keilty, the high opt-in for continuous service was a clear indication of a loyal subscription base that would subsequently yield consistent future revenue. There are several reasons for the higher-than-normal renewal returns, the two most important being well-received magazine content and a well-planned and effective renewal series. These initial returns reassured upper management and the circulation department that the magazine was headed in the correct editorial direction and that the renewal series as a whole was effective.

The Walrus and The Promise

During the launch of *The Walrus*, several simultaneous marketing campaigns (direct mail, insert swaps, relationship marketing, etc.) combined with a great deal of publicity caused subscription and newsstand sales to shoot to an unanticipated level for a magazine of its type in Canada. The original plan was to hit 50,000 paid circulation over a 5-year period, but nearing the first anniversary issue the number was already at 47,000. These initial waves of promotion sold the editorial content of the magazine as something that would be unique in Canada and of high quality. Greg Keilty had noted in the initial *Walrus* circulation-launch plan that the magazine must,

²⁰ Taken from weekly internal renewal reports produced by Cornerstone Fulfillment Services.

deliver the same magazine promised in the promotions so that these thousands of trial subscribers pay their invoices. This is a critical point in the success of the launch and a challenge that new magazines don't always meet.²¹

The delivery of the promised magazine varied during the first 10 issues of the magazine, as the changes in editorial staff (see Table 1 on page 2) were announced on a nearly bimonthly basis.

The effects of these changes were soon felt at the newsstand as sell-through rates dropped sharply with the June 2004 issue—from an anticipated 9,000 sold to just over 6,000 sold—an issue that was dramatically different in content than promised.²² Veering away from the promised direction can be even more disastrous during renewals efforts. Readers look for and expect editorial consistency—this is the basic reasoning behind subscribing, aside from the savings. Readers view any change in the editorial direction as a shift away from what was sold to them during their initial subscription. With initial indications of lower newsstand sales, Ken Alexander, one of the founders and then publisher of the magazine, took on a second role as editorial director and quickly steered *The Walrus* back to the promised path. With this shift, newsstand sales shortly returned to their normal averages and in-book subscription form inserts also began to return at regular levels.²³

Subscriber Service

Other than the magazine itself, subscriber service (or customer service) shows the true face and value of a magazine and plays an important role in renewal strategy. These personal interactions can determine if a subscriber renews or cancels. *The Walrus*, like all magazines, must constantly deal with subscriber complaints and problems. There will always be problems such as missing

²¹Keilty, Greg. Circulation and Marketing Plan and Five Year Projection, The CM Group, March 2003. pg. 6.

²²Taken from the newsstand report supplied by Gorden & Gotch.

²³ This is based on the short time frame of this report.

issues or lost orders; it is a reality of the business. All are dealt with as quickly as possible in order to satisfy the customer. Oftentimes a subscriber is given add-on issues to help alleviate a problem and to show them how valuable they are to the magazine. Establishing trust with the subscriber must extend from the moment they send in their subscription card through to producing the magazine and delivering exactly what readers were promised in terms of quality and content. All these efforts lead to happier and more fulfilled readers, and in turn, consistent subscription and renewal orders.

This was not the case during much of the post-launch period at *The Walrus*. Subscriber service was handled two ways: a call center at the fulfillment house and at *The Walrus* editorial offices. With two sources of customer service, consistency became a serious issue. Subscribers were often given differing and sometimes contradictory levels of service and information, which caused more problems than it solved. For example, a certain percentage of each issue invariably gets lost in the mail. Subscribers who called *The Walrus*'s fulfillment house were told to wait three weeks after the mailing date to ensure the issue was indeed lost before replacement. But if the subscriber called the editorial office, the issue would be replaced immediately, thus creating two levels of service and angering several subscribers. Basic logic dictates that an angry subscriber is less likely to renew. The actual cost of losing a subscriber is equal to the cost of the subscriber itself, plus future revenues such as gift sales and renewals, plus the cost of replacing that subscriber. In addition to the direct financial costs, there is a negative impact on current and future promotions through the effect of negative word of mouth.

Privacy and the Shrinking List

Magazines and other businesses have always stored and sold customer contact information for marketing purposes. This data provides invaluable demographic information and a potential

source for new customers. Most magazines, including *The Walrus*, use these lists to successfully launch and expand their subscription base. The lists are the main source of the direct mail, telemarketing, and more recently, direct e-mail, that the majority of the population dislikes. These techniques are still one of the most successful and consistent ways to sell subscriptions.

Since September 11, 2001, privacy laws have changed in North America to accommodate the increase in national security measures. Fulfillment agencies, in particular, have had to comply with higher security measures to protect their clients' lists—all forms of customer information must be secure at all times.

Increased security is only one of the outcomes of tightened privacy laws. The rights of the customer to protect and control his or her own information have been strengthened as well. In the past, magazines collected information and let the subscriber assume that it was going to be used for marketing purposes; essentially, there was no inherent right of ownership between the subscriber and his or her own contact information. Now, magazines have to bear the responsibility of protecting (i.e. not selling or trading) a subscriber's information as dictated by the subscriber. Thus, there are fewer names in the magazine universe to buy and trade, as most subscribers loathe having their information given away, limiting the amount of direct mail that can be sent. The declining supply of Canadian lists on the rental market has driven their prices upwards.

Thus far, the Privacy Commissioner of Canada has issued rulings based on individual complaints about how the Canadian magazine industry has handled subscriber information.²⁴ The basic rules have been laid out clearly for the first time, where the customer is:

- to be informed, at the moment of purchase, of any assumption of their consent;

²⁴ "The Personal Information Protection and Electronic Documents Act," RSC, Ch. 5, Case Summary #167.

- to have any secondary purposes brought to his attention and explained on the spot, so that they would know what items of their personal information were at risk of being disclosed and the nature of the third parties to which disclosure was intended;
- and in the event that they did not consent, to be provided, on the spot, with a convenient and immediate opportunity to opt out before any unwanted disclosure occurred.²⁵

The new standards are slowly becoming accepted practice. The “on the spot” options (such as a checkbox on the actual promotion) given to subscribers are already resulting in a shrinking lists market, which, in turn, will force magazines to seek out other, more creative, methods of marketing to replace direct-marketing sales.

The European magazine industry has operated under strict privacy laws for several years already; marketing lists are very hard to come by and have the added problem of differing postal and regulatory standards affecting direct-mail costs. (There are more countries and cultures contained within a smaller geographic area.) These problems, specifically those regarding privacy laws, have forced the European magazine industry to use different methods of marketing compared to those found in North America. There is a greater emphasis on supplementing any form of direct mail with telemarketing, television, and newspaper advertising to increase the rate of response, simultaneously making the marketing lists that do exist more effective.²⁶ The manner in which European magazines are addressing this problem—or better yet, this challenge—will provide direction for the changes in a North American market driven by stricter privacy standards. In particular, the scarcity of lists may in fact cause the North American magazine publishing industry to take a harder look at its current set of practices and tools. With the decline of available rental lists, the industry has also seen an increase in the use of newer tools such as e-newsletter marketing to self-harvested email lists.

²⁵ Ibid.

²⁶ Much, Marilyn. “Foreign List Restrictions Stymie U.S. Publishers” *Folio: The Magazine for Magazine Management*, June 1991. 51

Continuous Service

One of the many lessons learned from the European magazine industry is the value of continuous service, sometimes called automatic renewals or “tillforbids.” Continuous service is a non-expiring annually invoiced subscription that eliminates the need for marketing efforts during the renewal phase. If the customer wants to cancel, they can do so at any point throughout their subscription period and their balance will be refunded. The bottom line for continuous service is that it saves the cost of mailing renewal notices four to eight times per subscription at a cost of approximately \$699 per thousand mailed:

There are good reasons for [continuous service], of course starting with the fact that we’ve trained subscribers to expect those long direct mail renewal series at the end of each term. The irony is that this practice is not only impractical and costly for us; it is also, all too frequently, frustrating and annoying for our subscribers.²⁷

Again, one of the most successful methods of converting regular subscribers to continuous service is through quality customer service and by delivering a magazine the reader expects and wants; these factors instill loyalty between subscriber and magazine. Any deviation between what the magazine promises and what the subscriber reads in the magazine results in a loss of subscription business.

Overview

The post-launch period is a tough time for magazines, as short-run revenue indicators consistently spell demise while costs continually rise. These standard problems have recently been exacerbated by the change in industry trends with the removal of two of the primary tools of magazine marketing: list rental and direct mail. The rise of new customer preferences, such as the

²⁷*Circulation Management* <http://www.cirman.com/content/features/2000/2000110101.htm>

use of the Internet for new orders and subscription management, also present a new change in the industry. All magazines face similar challenges and *The Walrus* is not immune to these market factors. As with any change, testing new ideas and marketing techniques will eventually yield a new strategy. But this phase of learning will come at a cost of both time and money. Within this changing environment, magazines must increase and maintain their subscription base in order to succeed.

Part Three: A Change in Priorities

As with any business, adapting to a changing environment is crucial for success and survival. The Canadian magazine industry has changed even during the short time *The Walrus* has been publishing, and like all other magazines, must adapt in order to succeed. The largest shift in the industry has been in direct-marketing—specifically, the change in privacy laws regarding contact information used for direct-mail and other forms of subscription marketing. Direct mail is still the primary method of finding new subscriptions, and is therefore the key tool in maintaining consistent circulation revenues, but things are changing. Focus has already started shifting towards innovative ways to find new, and retain current, subscribers. The Internet has become the newest and potentially the most effective tool in the publisher’s arsenal, but in many cases a re-evaluation of other traditional methods can fill the gap of weakening subscriptions sources.

Event Marketing: Word on the Street

Given the scarcity of large marketing lists, finding new methods for selling subscriptions has taken priority. Revisiting and retesting tried-and-true selling methods has also taken a higher priority. Sources that had been seen as too much work for their return on investment are now approached with a fresh eye.

In 2004, *The Walrus* participated in Word on the Street in Vancouver and Toronto, an annual outdoor literary festival in major cities across Canada. All participating publishers rent a booth to display and sell their products, often at discounted prices. The festival is an excellent environment for selling subscriptions because festival attendees are already looking to buy. It is one of the few

occasions when a publisher comes face-to-face with potential subscribers who can thus provide direct reader feedback about the magazine. *Toronto Life* set the standard for selling subscriptions in this environment using heavily discounted products and added premiums (a reward or gift) to increase the perceived value of the subscription. Though *Toronto Life* was unwilling to discuss how many subscriptions they have sold, they are known to sell nearly 500 each year. (In order to better understand the idea of discount pricing, please see the sub-section on price elasticity and price testing below.) One of the many advantages *Toronto Life* holds is the fact that it is a city magazine and therefore has something very specific to offer people at a local festival.

In order to compete with *Toronto Life* and other magazines, *The Walrus* needed to put together an attractive subscription package. That package consisted of a *Walrus* T-shirt, a current issue (or a back-issue), and a one-year subscription for \$20 (versus the regular \$29.75 rate). This may seem like an overly low price, but the goal of the project was to sell as many subscriptions as possible. Additionally, circulation director Greg Keilty pointed out that,

it's important for us to remember that magazine buyers don't respond entirely rationally to pricing. Their decisions are based on absolute dollar amounts and/or perceived value rather than any calculation of real value.²⁸

With the regular cost of a subscription at \$29.75 plus the \$5.95 cost of the current newsstand issue, the straight-line value for the Word on the Street deal was approximately \$36, before the T-shirt. The actual cost of the T-shirt was \$6 and it was priced at \$15 at the booth in an effort to assign it a monetary value. Both Vancouver and Toronto were given 150 shirts each to promote sales. In Toronto, all the T-shirts sold out. In order to replace their perceived value, two more back-issues were included in the package to hold sales up. The Toronto booth actually sold enough subscriptions to produce a positive net revenue. Though the Vancouver Word on the

²⁸Greg Keilty, Circulation and Marketing Plan and Five Year Projection for The Walrus, The CM Group, March 2003, 8.

Street initially lost approximately \$1,500 due to travel and shipping costs, over the long term the subscriptions sold will produce revenue through renewals. Compared with direct mail-sourced subscriptions at an approximate cost of \$34 per order, the Word on the Street-sourced orders (across both cities) were very competitive at \$31. Though this type of marketing is more involved in terms of human resources and planning, it produces immediate results. In addition to direct sales, taking part in public events such as this one yields unquantifiable benefits such as brand awareness. Word on the Street points to a deeper source in circulation marketing—grassroots promotion—which, though more involved, can have an immediate and measurable impact when compared to traditional mass-marketing.

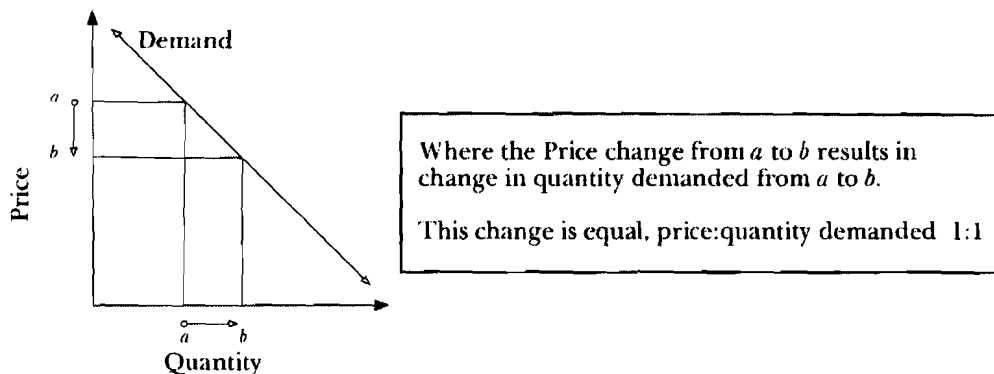
Price Elasticity and Price Testing

The perceived value of a subscription is subject to the same rules of microeconomics as any other product, where perceived value is a result of price elasticity. Price elasticity is the ratio between price change and product demand. For example, as a subscription price decreases the perceived value for each dollar spend of the subscription increases, which in turn makes the product more sought after and therefore increases sales. This effect is also seen when a premium, such as a clock radio or city guide, is added to the subscription thereby increasing the value of the product. In the Canadian magazine industry the ratio—though not fully studied—has been accepted as roughly one-to-one ratio, meaning for every increase in price there is an equal decrease in demand for the magazine. This ratio can change dramatically when large price discounts occur; unlike the basic graph in Figure 3, the actual demand curve for magazines is not linear.

Magazines test these demand ratios frequently by offering differing prices to test groups and tracking the results. New subscriptions are anything but consistent, as circulation marketers focus on long-term revenues generated by renewals, their main concern is finding the cheapest method to acquire a new subscription. Most new subscriptions are produced at a break-even cost. If a

discount can still produce new subscriptions at a break-even cost then long-term revenues from renewals are still not affected; subscription revenue remains the same where the cost of retaining the subscriber decreases over time. During the first three years of *The Walrus's* life span, the subscriptions price was kept at the set rate of \$29.75 (fairly high for a magazine subscription) with next to no price discounts for new subscribers because the demand for the magazine was high enough to warrant a higher price. Only in its fourth year did demand, linked to the initial hype of the magazine launch, start to decline, which in turn warranted price testing below its initial \$29.75 rate to maintain subscription sales numbers.

Figure 3 Typical price elasticity graph



Micro Direct Mail

Traditional direct mail is a blunt instrument based on selling on a massive scale to produce a small return. With the decline of lists, this philosophy must refocus its efforts on smaller, scarcer lists. Those lists that do exist will rise in price as their availability decreases and demand increases. Therefore, more efficient methods of tracking, collecting, and making use of available list data must be found to make cold-marketing techniques, such as direct mail, more effective. Using demographic information from third-party companies is one popular method of filtering

mailing lists to produce better results; marketers target specific potential customers with specific demographic profiles that would make them more likely to read the magazine.

Techniques such as printing one piece of direct mail for several lists to save printing costs may not be as effective any longer as lists become fewer and more varied. Not only will targeting better lists by demographics become a key factor in success, but targeting specific groups within each list will become imperative. Regardless of how information is used to produce results it will be the quality and quantity of information that will make direct marketing successful in the future.

Canadian foreign service

The Walrus has tried several traditional methods such as direct mail with smaller lists that were harvested from the government and public organizations websites. The results were mixed, due to the quality of the list information, but encouraging. The first was a direct mail campaign to Canadian embassies and consulates around the world. Each kit contained a personal letter from the publisher, a sample magazine, and directions for subscribing. The letter promoted *The Walrus* as an international magazine with a Canadian outlook, something that would engage Canadians abroad working in embassies and consulates. The campaign analysis proved interesting: out of about 225 packages approximately 10 (or 4.4 percent) resulted in a subscription, a return rate typically better than traditional direct mail (3.5 percent).²⁹ However, problems such as the lack of consistency and information on international postal standards likely negatively affected the results. (Direct mail is useless unless properly delivered.) Within Canada, finding smaller lists to send out smaller targeted mailings could produce better results while being less of a strain on cash flow. The one disadvantage of smaller mailing is the negative economies of scale—the smaller the mailing the larger the cost per unit.

²⁹ Results as of September 10th, 2004. Marketing campaign effectively complete.

Ontario Public Libraries

The second targeted direct-marketing campaign focused on public library subscriptions in Ontario. The market was chosen primarily because contact information was readily available (as the embassy and consulate addresses had been). Libraries are excellent and highly prized subscribers because their renewal rate is virtually 100 percent. Instead of a traditional direct mail package, direct-email was chosen because the marketing message is delivered directly to the desired potential subscriber at a lower cost. The low cost of promotion allows for the option of promoting to a potential group multiple times. The ability for repeat contact generally depends on the list rental contract, but in this case, the list information was created in-house. A sample *Walrus* was offered to elicit a response from each addressee, which opened up a channel of communication for a follow-up to the campaign. Overall, the campaign's rate of response was approximately 6 percent,³⁰ again, a decent rate of return for any form of direct mail.

Geographic Expansion

A post-launch period review of *The Walrus* in mid-2005 showed several circulation gaps. One of the largest opportunities, from a newsstand perspective, was in Alberta and British Columbia. Accordingly, *Walrus* audit reports show that subscription sales in British Columbia were twice that found in Ontario and that those in Alberta were high in proportion to other geographic areas even though distribution was limited in the province.³¹ Despite the proportionally better responses on subscriptions, the Western provinces lagged behind in newsstand sales. Any investment in newsstand distribution requires further investment in newsstand promotion — in many cases, a magazine must buy into specific retailers by renting a promotional space. The buy-ins are called retail display allowances, or RDAs. Shoppers Drug Mart and airport magazine stores regularly

³⁰Results as of September 1st, 2004.

³¹Internal Walrus document, newsstand report.

charge RDA. These upfront retail costs were the reason these retail chains were left out of the launch plan for *The Walrus*. Most magazines opt into the RDA as the opportunity to sell more magazines typically offsets the costs involved. In particular, magazines that rely heavily on newsstand sales, such as women's magazines, cannot afford to turn down the increased distribution because the added circulation has a positive impact on advertising dollars and advertisers are also purchasing the market the retailer provides. Women's magazines have many cosmetic advertisements; as cosmetics are sold in Shoppers Drug Mart, each women's magazine wanted to be in Shoppers Drug Mart to attract more cosmetic advertising dollars.

To supplement this newsstand expansion *The Walrus* had looked into radio advertisements in an effort to spread brand awareness and thus increase sales. Radio is considered a non-traditional marketing medium for magazines because its impact cannot be directly tracked; thus, it's rarely employed. As already noted, tracking results of direct marketing is extremely important to long-term circulation management. If something cannot be tracked, then its impact cannot be recorded and used as a reference point for future campaigns. The majority of newsstand marketing is untraceable. Any data that are available exist in multiple formats and are typically top-level data and of little use for tracking specific cause-and-effect types of promotion. Radio advertising also suffers from a lack of tracking as it is a more broad promotional device, whereas direct mail is a targeted device. However, radio advertising is of reasonable cost and demographic information is readily available for each station, allowing for a reasonable degree of audience targeting. Though the final results of the radio campaign extends beyond the boundaries of this paper, initial information about newsstand sales has been positive. In the geographic zones where radio advertising was concentrated, sales have increased above their normal levels.

E-Marketing

Over the past 15 years the changes wrought by the Internet have been staggering, particularly within the publishing world. In the early years of the Internet wide-ranging predictions promised it would kill paper and conventional advertising completely. Though national advertising is starting to head away from magazines toward the Internet, e-marketing of subscriptions is still in its infancy.

Though used as a passive marketing device, *The Walrus* website generates approximately 100 to 150 new subscriptions per month. It also provides a more economical and faster route for subscribers to renew, change their address, pay their bills, and manage other sections of their account. This form of direct control over a customer's account is expected as other institutions—such as online banking—take advantage of the Internet for customer interaction. Online subscription management has many advantages, the first being cost: it is more cost effective to maintain a customer service website than to conduct basic customer service exchanges through email, mail, or telephone, all of which require a substantial amount of human resources. The other advantages are:

- a customer service website is available 24 hours a day, seven days a week;
- increased accuracy of information recorded as the customer is inputting it directly;
- nearly instant communication and transactions when account changes are made;
- no need for postage, printing, or paper;
- the customer feels like they are in total control of their account.

Overall, the Internet provides tremendous potential for e-marketing. The three major sources are *The Walrus* website, email, and newsletters. Email marketing is of particular interest to the magazine industry because it can operate in similar ways to traditional marketing efforts (such as direct mail and renewals) as it still makes use of the same marketing assumptions and techniques. Additionally, e-correspondence is less expensive than sending a renewal by mail, with the cost of paper, printing, assembling, and postage, plus the costs of return postage and processing fees. There are many efficiencies available through e-marketing, but there is a lag time before a consumer base can culturally accept a change of this sort. There are several other issues that can affect e-marketing, such as junk email filters, which can directly hinder the delivery of a marketing effort.

One of the newer forms of e-marketing that is starting to take a larger role is e-newsletter marketing. Typically, a magazine's website places an open call for website readers to sign up to a newsletter for previews and other information. Through the newsletter readers are able to learn more about the magazine and receive sample content. This initial relationship leaves them more open to marketing communications and therefore increases the chances of selling them a subscription. The other bonus is the simultaneous collection of a nearly costless contact list. With traditional marketing techniques such as direct mail, consumer information such as mailing lists must be purchased, whereas lists can be harvested through the website at little cost. In fact, more information, such as product preferences or age, can be collected simultaneously, which only adds to the value of this method of marketing.

The Walrus had been collecting names for a newsletter since early 2004, however, the newsletter was only used to inform recipients of the contents and availability of the next issue. No marketing communications took place and the list was economically ineffective. Beginning in November 2005, the first steps into e-marketing to the newsletter list were taken with a pitch for holiday

gifts subscriptions. Though specific tracking information was not collected, a large spike in website orders for gifts was recorded during the week of the newsletter transmission.

Review

The first year of *The Walrus* post-launch period was a wake-up call for the magazine. Many of the extremely high response rates seen during the launch phase of the magazine fell to normal levels. Several weaknesses and opportunities that had previously been overshadowed by earlier successes were now exposed. The website and overall e-commerce strategy for the magazine was disorganized and was left unexplored regardless of the consistent subscriptions sourced from the website. Throughout the launch and post-launch periods the major proactive driving force of circulation had been direct email—a marketing tool that is easily deployed and requires very little long-term investment in either time or attention. Other methods of generating subscriptions, such as relationship marketing with other organizations, events like Word on the Street, or the custom direct mail campaigns to libraries or embassies require a great deal of time and labour invested into research and preparation. From the post-launch period onward, subscriptions did not fall like manna from the sky—the challenge and hard work of finding new sources from non-traditional channels, such as the underdeveloped website, had to begin.

Part Four: Concluding Statements

The Walrus is unique within the Canadian publishing landscape, particularly as a general-interest magazine, in that few magazines have ever been as successful in such a short time-period. The post-launch period for any magazine is particularly difficult because it must maintain momentum in order to grow and survive, even when plagued by the lack of cash flow. With advertising profits still a distant dream, the only source of revenue lies in circulation, which consequently becomes the driving force during this crucial phase. This report has focused on some of the key undercurrents of the ever-changing magazine market in Canada that will influence the philosophies of future circulation management at *The Walrus* magazine. One of the key influences is the change in privacy legislation and its effect upon traditional list-based marketing. The second is the movement away from traditional subscription order sources, such as inserts, toward website-based orders. The circulation manager must contend with the tribulations of a changing industry in addition to the nagging problems associated with minimal cash flow. Yet, subscriptions sources must be sought out and retention of subscriptions must remain a high priority.

Regardless of the changing tides of the magazine industry as a whole, a circulation manager must focus on the subscriber. It is very easy to lose sight of the fact that each subscriber is a customer, and more importantly, that each was promised a specific product (think of each new subscription order as a contract) and the magazine must uphold its end of the bargain. This is the primary reason people choose to renew—not price discounts, renewal design, or statistical marketing. Circulation marketing can only be successful when in concert with quality editorial. Magazine management is a holistic process—if one thing changes then all others are affected.

The Walrus is unusual because of the way it is managed—a balance of staff with no magazine experience alongside seasoned professionals. This has led to a management philosophy that harkens to the ideals of the *tabula rasa*, where the acceptable industry wisdom is not the standard but instead becomes the starting point for reflection and new ideas. Boundaries of success—such as standard newsstand sell-through rates—that are seemingly set in stone are questioned and pushed beyond what is traditionally accepted. New and different ideas are developed because of this lack of experience; some fail and some break new ground. However, without best practices and a stable management structure, what is learned through a fresh and organic approach is lost. Valuable information that can be used to create efficient workflows, allow for forecasting, and troubleshooting, are not retained. The decision-making structure becomes reactionary and cannot sustain a forward-looking direction, which is the base requirement of circulation management.

List-style marketing such as direct mail has been the bread and butter of the North American magazine industry for decades. It has been relied upon as a stable method for replacing lost subscribers and thereby maintaining the stability of a magazine's subscription renewals, which is crucial during the post-launch period. With the possible decline of this marketing method, other opportunities must be found. *The Walrus's* circulation strategy had relied on direct mail as a primary source. With the effects of a changing marketplace making themselves felt, *The Walrus* is now trying to find new sources to ensure stability in the post-launch period and into the future, while maintaining a balance with proven stable methods. In short, resting on the laurels of the industry and the past is a certain route to extinction. A lucid and flexible management structure, such as *The Walrus's*, is able to react to industry changes with greater ease when compared to the giants in the industry, such as Rogers or Transcontinental Media. The downside to this management style is lack of efficiency through standardization and bias towards gut feelings. In order to survive in these changing times *The Walrus*, and other smaller magazines, must be everything at once—the large methodical corporation and the agile small magazine.

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