

The Customer Publishing Industry –2008

Prepared by Mintel Research Consultancy
for



Association of Publishing Agencies

7 November 2008



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Introduction

Mintel is pleased to have compiled this 2008 Customer Publishing report on behalf of the Association of Publishing Agencies (APA).

Building on the past reports provided by Mintel, we have been able to leverage accumulated knowledge of the industry to provide this analysis of how the market is evolving, and what the key trends are in this industry, worth approximately £900 million pound.

The report is intended to capture total industry expenditure defined as revenue generated from customer publishing agencies and mailing costs.

The report is intended to provide an independent review of the market, examining how the sector has evolved since the 2006 report, including trade insight from a series of interviews with clients.

In terms of comparison to previous years, some sections of this report are compared to 2006 data and other sections are compared to 2005 data. This is because the 2008 survey collected company data for 2006 and 2007 making such comparisons possible. However, the verbatim interview comments and the market segmentation data are only available for 2007 and 2005 as the company survey was not run last year.

Research methodology

This report draws on a combination of sources and methodologies to help Mintel reach conclusions about current and future trends in the customer publishing industry.

In addition to desk research, the following primary research methodologies were pivotal during the research process:

Trade survey

A large part of the quantitative results and trends in this report drew upon the results of a survey of customer magazine publishers carried out by Mintel between 27th June 2008 and 29th August 2008. Approximately 40 companies were contacted by Mintel and invited to fill in the survey in an excel spreadsheet and return it to Mintel by email for analysis.

The survey among customer publishing agencies explored a large range of topics, including sales performance, number of employees, areas of growth in recent years and expected future growth sources, and the extent of their involvement in the provision of online services.

A total of 32 companies completed questionnaires providing information about their financial performance, operations, and published titles. The companies surveyed account for 731 customer titles (including all print, digital and TV content), and had combined revenues of around £340 million in 2007. The companies surveyed represent approximately 70% of total turnover generated by customer publishing agencies. Mintel then projected this data to represent 100% of the market in our market size data and forecasts.

Both Mintel and the APA are grateful to all companies that participated in the industry survey.

It is important to note that the market assessment is a 'snapshot' of the industry at the time the survey was carried out (June-August 2008) and that some clients and titles will have moved on to other publishers in the intervening period, or even ceased publication, while other titles will have started up.



Additionally, the survey can only provide qualitative information about the business and titles of the companies who have responded to the questionnaires and therefore is not comprehensive. Furthermore, companies who did participate may not have provided answers to all questions.

Depth telephone interviews

20 telephone depth interviews were completed with a range of client organisations working with publishing agencies. The interviews were typically 15-20 minutes in length.

The client organisations interviewed represent a broad range of sectors from financial service providers, grocery retailers, professional associations, media specialists and mail service providers to membership bodies, hotel/hostel chains, beauty salons, property agents, charities and musical equipment manufacturers.

Market size methodology

For the past 16 years that Mintel has compiled this report the same market size methodology has been used.

Mintel takes the total revenue generated from the customer publishing agencies that participated in the survey, which accounts for approximately 70% of all customer publishing agency revenue, then grosses this value up to represent 100% of customer publishing agency revenue. This figure accounts for the total revenue generated by customer publishing agencies.

The figures for non-participating publishing agencies are reached using either actual accounts filed at Companies House, or our own estimates. Our own estimates can be either based on previous submissions or might be based on the kind of accounts they file at Companies House (e.g. they don't file full accounts but abbreviated or small company accounts, which means they have to meet certain financial criteria, one of which is a turnover threshold, in order to qualify).

The total customer publishing market size is the aggregate of the total revenue generated by customer publishing agencies, total other costs reported by customer publishing agencies, and mailing costs reported by the Royal Mail and other distributors.

Definitions

Customer publishing is also known as custom publishing, contract publishing or brand publishing. Customer publishing includes all editorialised content produced by a publishing agency on behalf of any commercial organisation or company which is offered for sale, or distributed free of charge, to customers, employees or members.

Although still mainly delivered through printed magazine format, customer publishing also includes editorialised content delivered through catalogues, direct mail, emails, e-zines, TV/broadcast, mobile phone, websites, microsites or other web content.

The following points broadly define the parameters of customer published content:

A magazine or newspaper-style publication, not simply 'words on paper', but bearing a physical resemblance to regular magazines in title, logo, format, editorial articles and possibly advertisements. Magazines carried on the internet or other online delivery methods are also included. Brochures, catalogues and circulars that do not include any magazine-style editorial are excluded.



There must be a contract (verbal or written) between the publisher and a third party, which could be a commercial, voluntary, public sector or charitable organisation.

The category does not include:

- Licensed publications, which use a company's name but do not have a commercial or marketing objective.
- Annual or one-off publications, which are typically exhibition catalogues, event brochures or yearbooks and which do not contain magazine-style editorial.

Endorsed publishing has been excluded from the scope of this report where possible. This includes publications using a company/organisation's name but with no clear marketing objective.

International revenue does not include revenue from overseas offices. The definition of international revenue includes:

- revenue invoiced to overseas clients from UK
- revenue from content that is distributed internationally

Executive summary

Customer publishing industry increased to be worth £904m in 2007

- Mintel estimates the total customer publishing market to be worth £904 million in 2007. This figure is based on the 2007 turnover generated by customer publishing agencies, £473 million, additional costs reported by customer publishing agencies, £13 million, and additional mailing costs, worth approximately £418 million.

Customer publishing expected to become worth £1bn by 2013

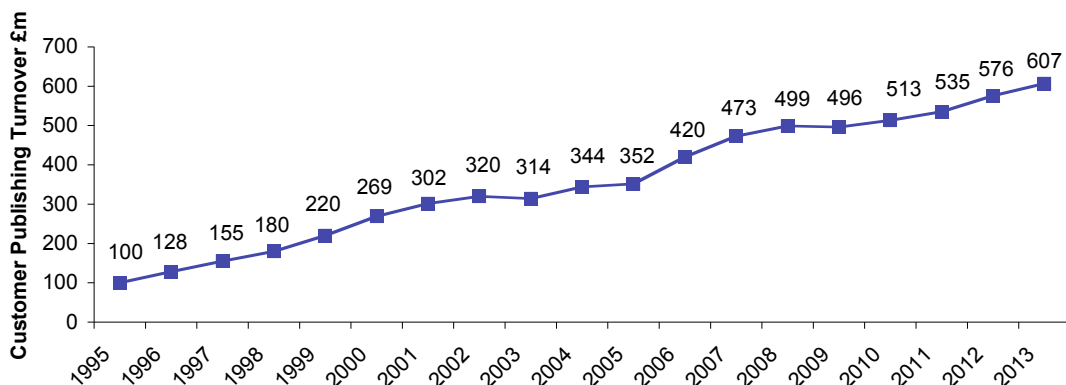
- A period of expansion in the economy appears to have come to an end and the UK is on the brink of a recession following Office for National Statistics figures showing economic output fell by 0.5% in the third quarter of this year.
- Despite the current slowdown, Mintel estimates that the value of the total customer publishing industry will reach just over £1bn by 2013.

Customer publishing agency revenue forecast to increase 22% by 2013

- As illustrated below, the revenue generated by customer publishing agencies (excluding other industry costs) was worth around £473 million in 2007, a 13% increase compared to 2006 and Mintel estimates this will increase 5.5% to £499 million in 2008, a growth rate significantly lower than the double-digit growth experienced in both 2006 and 2007.
- At real prices, Mintel forecast that market growth will show a strong decrease in 2009 (with almost a 3% fall). However, the middle of 2009, should see an end to the stagnation in the market and consumer confidence slightly recovering, leading to a more favourable environment for customer publishing to grow over the second half of 2009. Mintel further expect the market to have fully recovered by 2010.
- Specifically, despite limited growth in 2008 and the first half of 2009, Mintel forecast that, at current prices, the value of the contract publishing market will grow by 22% between 2008 and 2013. In real terms, taken price inflation into account, this represents a healthy increase of 10%.

Figure 1: Customer Publishing Agency turnover, 1995-2013

Base: All customer publishing agencies



Source: APA Member Survey/Mintel Research Consultancy

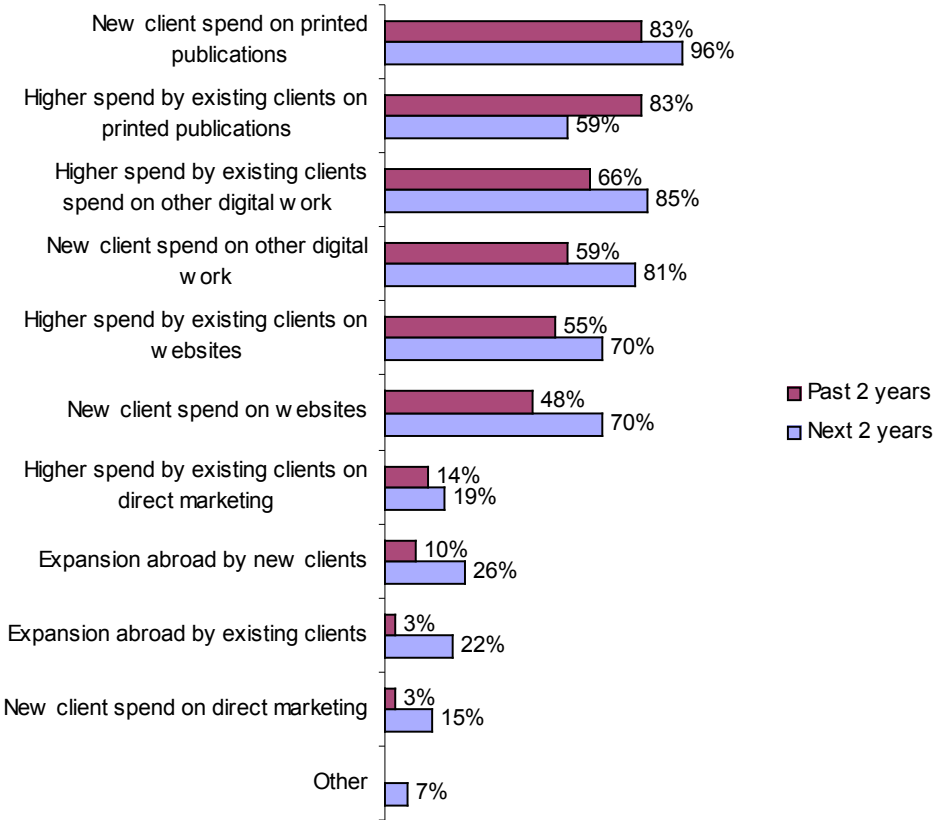
*Note: The turnover listed in 2008 is a Mintel estimate and the turnover figures for 2009-2012 are forecasted figures.

Main drivers of growth

- Despite advances in digital communication, in the past two years printed publications have remained the main driver of growth in the customer publishing industry. However, existing client spend on print is expected to fall in the next two years.
- Over the next two years, clients predict that the growth driver will shift to new/existing client spend on other digital work and new client spend on printed publications, while spend on websites is also predicted to grow considerably in the next two years.
- Small-scale growth is expected from expanding customer publications abroad.
- Spend on direct marketing looks a little uncertain for the next couple of years especially for existing clients.

Figure 2: Main sources of growth for customer publishers

Base: 29 publishing agencies that stated their main sources of growth in the past two years; 27 publishing agencies that stated their main sources of growth in the next two years



Source: APA Member Survey/Mintel Research Consultancy June - August 2008

Customer content is part of the marketing mix

- Customer publishing is increasingly funded by marketing budgets as the importance of such customer content in reaching target audiences is being realised.
- Further, clients see customer publications as an invaluable tool for communicating with those buying their products and services and are happy to continue investing as long as the attractive brand equity benefits remain strong and clear.
- Important to recognise is the fact that clients are becoming savvier in the workings of customer publishing and are therefore keen to measure the success of publications against their objectives and conduct reader research to further tailor content and format.
- As clients examine budgets, perhaps more vigorously in the tough trading conditions, they will become even more demanding for information to justify their publishing spend from the agency team.

Winning new business continues to be central to publishing agency success

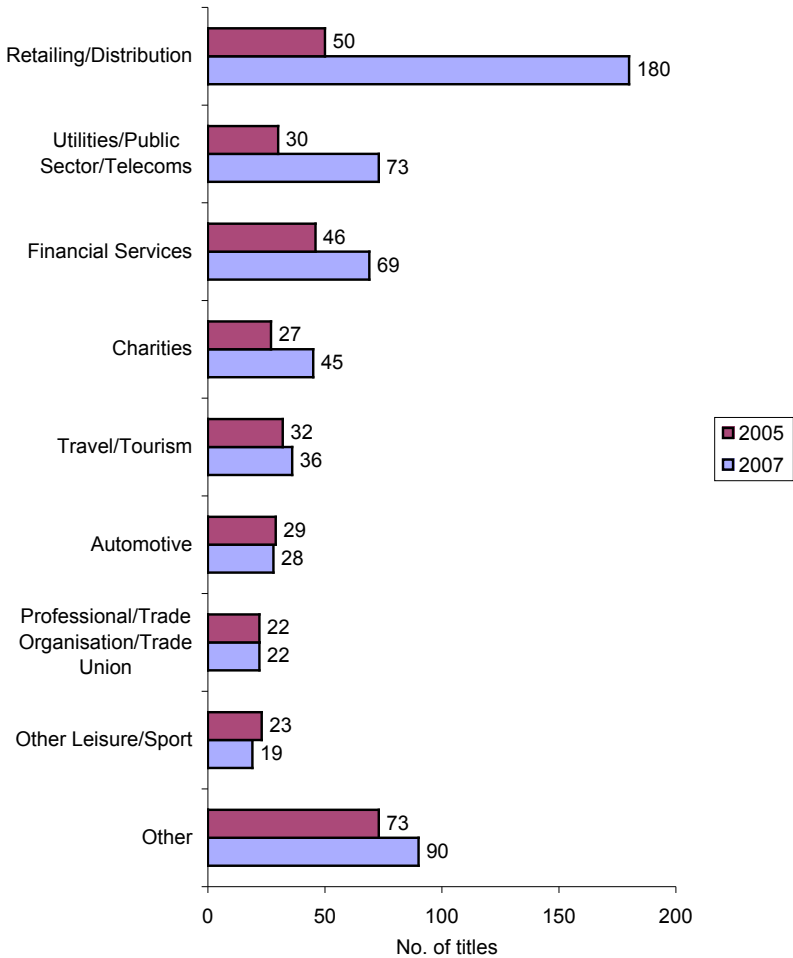
- The market is driven by start up titles thus customer publishing agencies are continually trying to attract a share of this new business.
- The total number of pitches increased by 19% between 2006 and 2007 and the average number of pitches per company rose from 9 to 11 in the same period.
- Agencies are being more successful in the pitches they undertake – the average pitch conversion rate increased from 41% to 43% between 2006 and 2007.
- The average pitch investment increased by 12% from £6,071 in 2006 to £6,774 in 2007.

Dominant sectors

- Retailing & distribution was the most prominent sector of print publishing, according to the APA member survey undertaken by Mintel, accounting for 180 of the total number of print titles published by the surveyed agencies in 2007. This includes magazines, catalogues and direct mail. The number of retailing & distribution print titles has more than tripled since the 2005 survey when retailing & distribution only accounted for 50 titles.
- This is followed by utilities/public sector and telecoms accounting for 73 titles in 2007 - more than double the number of titles in 2005.

Figure 3: Breakdown of customer magazine publishing titles in print surveyed*, by nature of client's business, 2005 and 2007

Base: 2005 = 332 customer magazine print titles; 2007 = 562 customer magazine print titles



Source: APA Member Survey/Mintel Research Consultancy June - August 2008
 *as detailed in survey responses
 Other includes Information Technology, Housing/Property, Education, Media



Average print title circulation

- The average print title in the APA/Mintel survey had a circulation of 321,257– this has risen from 277,501 in the 2005 survey.
- In 2007 the largest proportion of print titles have a circulation in the range of 10,000 or less or in the range of 25,001-50,000.
- Combined total circulation of surveyed print publications amounts to 137 million, highlighting the immense size and reach of the industry. This figure has grown by more than 50 million since the 2005 survey when it stood at 82.4 million.

Print continues to dominate the industry

- Print (including magazines, catalogue and direct mail) remains the most prominent format for customer publications accounting for 77% of all titles surveyed.
- Despite the domination of print, there seems to be an evolution towards a greater number of online/digital titles to supplement the print titles. This is evident in that the proportion of print titles has fallen since the 2005 survey when 90% of titles used print as their main format coinciding with a rise in online/ digital titles, which now accounts for the main format of 15% of the titles surveyed. In 2005, website/other digital accounted for only 5%.

Distribution

- Post is still the main method of distribution. Pick-up at store is the second preferred method.
- Only 7% of the UK distributed titles would like to use a different distribution method and none of the internationally distributed titles would like to change their distribution approach.
- The UK continues to be the main geographical market served by customer publications, with just over three quarters having a UK only target market. The international market still only accounts for almost a fifth of the titles surveyed.



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