



Consumer magazines



Print revenues are not being cannibalised by digital – rather, digital revenues represent a supplement

Digital revenues still account for a minor share of the consumer magazine market



The vast opportunities of new media fuel the market dynamics, forcing publishers to adapt



Segment definition

The Swiss Consumer Magazines publishing market comprises spending by advertisers on consumer print magazines, magazine websites and magazine mobile sites, including applications for smart devices. Consumer magazine publishing also reflects spending by readers to purchase magazines via subscriptions or at retail outlets and kiosks, as well as paid online and mobile subscriptions for portable devices. Magazines published under contract, known as customer magazines or custom publishing, are also included in the print advertising component.

Figures do not include licencing or other ancillary revenues. Trade magazines are not included.

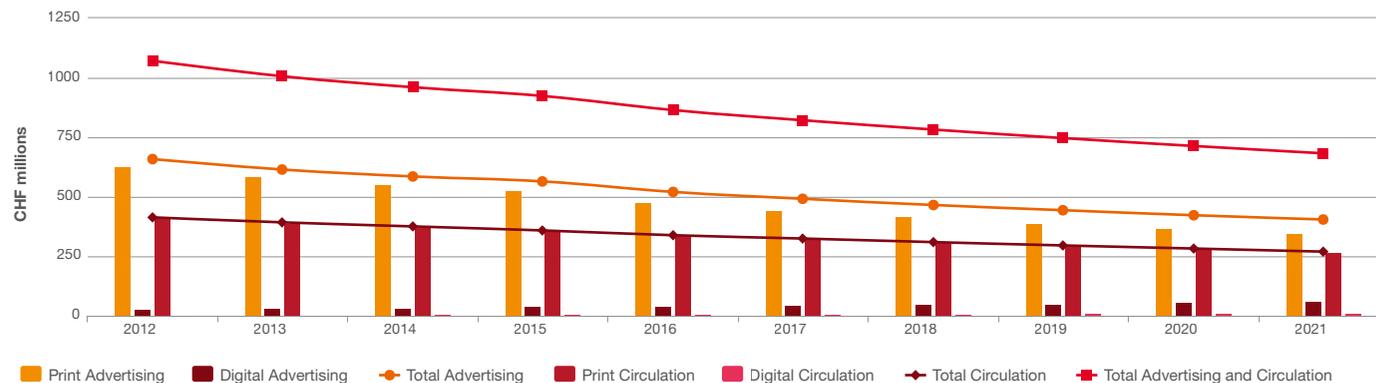
Business innovation

The print publishing industry is operating in mature markets and is under pressure from changes in consumer behaviour. Consequently, innovation is happening almost exclusively in digital channels. Digital video content for example is becoming a must-have in the industry. Mobile video consumption in particular is experiencing tremendous growth. A few years ago, display and desktop was on the rise but now has been superseded by mobile technologies. As a result, publishers need to find suitable resources to deliver such content.

Magazine publishers are in competition against an enormous number of bloggers on YouTube, digital-first publishers like BuzzFeed or Time, and consumers themselves (e.g. Instagram). Magazine publishers that can create their own video platforms will be able to monetise better and lessen the negative impact of the dominating platforms such as Facebook and YouTube.

Some publishers have started to embrace messenger apps, e.g. Cosmopolitan's partnering with Snapchat, thereby creating an average of 19 million views per month, which is almost as many

Consumer Magazine Publishing Market
by component (CHF millions)



Analysis by PwC

as Cosmopolitan gets on its website. Other, such as National Geographic, Mashable and People, are receiving traffic from Snapchat. Opportunities to monetise via traffic are becoming fewer. Snapchat introduced a policy in October 2016 where content is paid for up front and ads sold against that content rather than allowing publishers to sell ads against their own content.

We expect this development to be of relevance to Switzerland, although the effect might be weaker due to the affinity for print, and slightly delayed due to the less advanced digital shift. However, we have noted an increasing presence in popular Instagram accounts and blog sites originating in Switzerland.

The Swiss consumer magazine market

Market overview

The consumer magazines market consists of two major revenue streams: advertising, which is accountable for 60%, and circulation, which generates 40% of the total revenues. Each revenue stream can be divided into print and digital. Between the two, print clearly outweighs digital with 95% of the whole, leaving digital with only 5%.

Despite the fact that digital circulation has experienced robust growth in the past three years, as well as the fact that digital advertising has continued its positive trend with a compound



annual growth rate of 8%, the two play only a minor role in the market. As a result, their impact on consumer magazines as a whole is marginal at best. It follows that the overall consumer magazine market development depends directly on the print sector, which has been declining for the past five years.

As in previous years, the vast supply of digital news is causing a further decrease in readership for traditional print magazines.

Smartphone saturation, digital news sources, blogs, internet and video platforms and many other substitutes are pressuring traditional consumer magazines. Consequently, publishers have to rethink their business models, create novel solutions and focus on monetisation to survive in the market.

The numbers show that compensating the substantial losses in the print market (CAGR of -6.4%) with increased digital revenues still

represents a major challenge as these digital revenues play such a small role in the bigger picture. Further investment in digitisation is required, but new entrants to the market are complicating the situation and heightening the competition.

It is unlikely that digital will generate the lion's share of revenues anytime soon and thereby offset the losses that are being incurred in print. Hence, publishers are expected to remain focused on the print sector rather than shifting their entire attention to digitisation. As market size in Switzerland is comparatively small, it is economically unfeasible to sustain a daily-updated digital news platform for monthly or weekly consumer magazines. Well-founded research and re-use of existing content, which in turn results in interesting, surprising verticals that enhance the customer experience, may be one solution for dealing with this issue, according to Ralph Büchi, CEO of Ringier Axel Springer Schweiz AG.

Monetisation is one of the major challenges that publishers face in circulation. There persists a general reluctance amongst users to spend on digital magazines. The internet offers readers countless opportunities for free alternatives. Moreover, ad-blocking software has been on the rise for several years now and is hindering revenue generation. Equally spoken, the market for print circulation is shrinking at a slow pace. There is still a significant number of readers who value holding physical media in their hands and reading the printed magazine.

In terms of monetisation, there is no single recipe that can be applied to all publishers. We note a high degree of diversity when it comes to digital content. Publishers are testing different means of payment; for instance, pay-per-article, monthly subscriptions or any mixture of the two.

Advertising revenues are trending in a similar manner. The revenue from digital advertising is growing steadily, while print advertising is shrinking at an accelerated pace. As a result, the



overall consumer magazine market is on the decline and there is increasing competition. According to Philipp Mankowski the weakening economy in certain areas has resulted in a lower overall marketing budget. In response, companies are reallocating their budget to new, innovative marketing opportunities and thereby providing a platform for picture or video bloggers.

According to Ralph Büchi, there are two sides to this relationship: by using technology, publishers have the opportunity to know their readers better; however, their clients also need to know the environment in which the advertising is being distributed or broadcasted.

In times of increased competition and lower revenues, companies seek new ways to be successful in the market. Tamedia for instance has announced a change to its editorial department setup, with the intent of ensuring high-quality, versatile news reporting in the future. The reorganisation will be effective from 1 January 2018, and result in two editorial departments for the French and German language areas, a shared research facility, as well as 3 competence centres. But not only Tamedia is adjusting to this dynamic market; as part of its transformation strategy to become an international digital media enterprise, also Ringier has announced a reorganisation of its Group Executive Board as of 1 October 2017, in order to focus on the company's two main operative businesses, publishing and marketplaces.

The market has undergone major changes in the competitive



“Clients demand certainty and brand safety. They want to know where their ads will be distributed or broadcasted – a trusted environment is crucial.”

Ralph Büchi
Chief Executive Officer | Ringier Axel
Springer Schweiz AG

landscape. Publishers are becoming more market-oriented and providing readers with products that meet their needs. New competitors are emerging; today, the traditional well-established magazine publishers are forced to compete directly with Instagram and YouTube bloggers as well as consumers themselves who use social networks in order to distribute their own content. However, this phenomenon may only be temporary. On one day, a certain medium or channel may be interesting; the next day, another medium may play a vital role in the user's life. This is mainly due to the vast opportunities at the reader's disposal.

The Swiss magazine consumer market remains very dynamic. Market players need to stay flexible, embrace the opportunities as they arise, and jump on the train when it accelerates. Digital technology provides numerous opportunities that can be used by companies as experiments to learn from consumers' reactions.

In 2016 the competitive landscape underwent a fundamental change. Ringier and Axel Springer Schweiz AG founded a joint venture and thereby became the largest magazine publisher in Switzerland. They produce 30 titles with over 500 issues per year and employ roughly 600 individuals. The portfolio includes titles such as Beobachter, Schweizer Illustrierte, Landliebe, Bolero and style etc. In second place is Tamedia, with its Schweizer Familie, Annabelle, 20 Minuten Friday, Fémina, etc. The current market conditions came to bear in early 2017: L'Hebdo discontinued its publication and appeared for the last time on 2 February.



“Printed media appears more credible – therefore, it is predominant in well-founded news reporting.”

Philipp Mankowski,
Chief Sales Officer National Media |
Tamedia Advertising



Principal drivers

Shift of advertising to digital fuels the market dynamics

Digital advertising is gaining importance. The transformation from classic forms into digital, especially on mobile devices, should not only be viewed as a threat, but also as a chance. The dynamics are ever-increasing, with new technologies sprouting up regularly. It is highly advisable to stay flexible, gain experience and test these new applications.

Digital does not cannibalise print; it is a supplement

Revenues from print are apparently not being cannibalised by digital revenues; rather, digital represents a supplement to it. Through the use of digital technologies, publishers can combine readerships of newspapers and consumer magazines and address specific reader segments. Consequently, a wide reach of readers is of benefit when it comes to monetising digital circulation and advertising. Social media play a pivotal role in that reach.

Spending on print advertising will remain dominant

Even though digital advertising is on the rise, print will remain the major source of revenue. The transformation is slow, as a significant number of readers still prefer physical media. However, digital technology provides opportunities to link different readerships and enables targeted marketing to specific customers. The reach can be broadened by using different media – a significant factor in determining the marketing budget allocation.

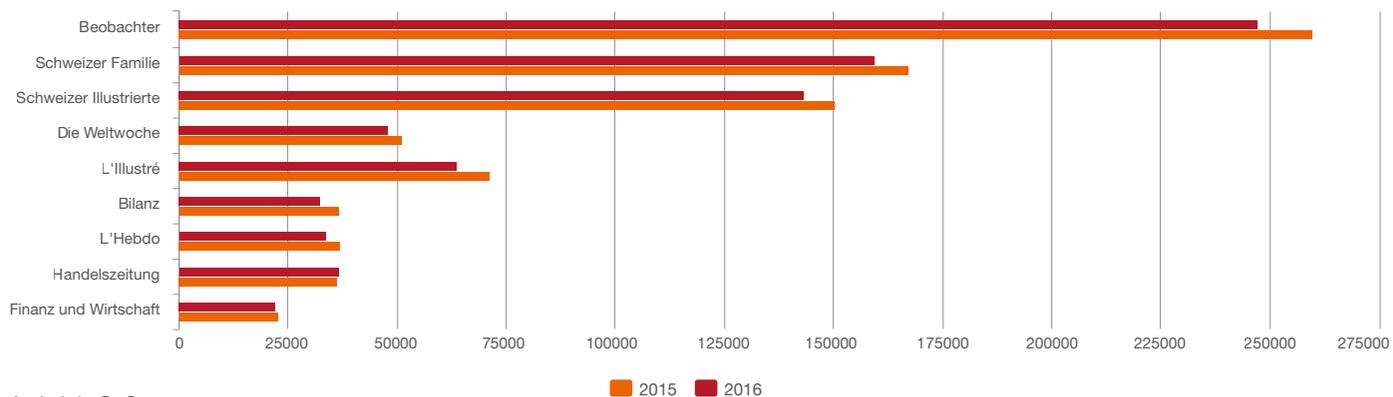
Events increase customer experience

Carefully chosen and planned events by publishers can increase the customers' brand awareness and ultimately result in greater loyalty to the consumer magazine.



Consumer Magazine Paid Circulation (Selection)

in thousands



Analysis by PwC



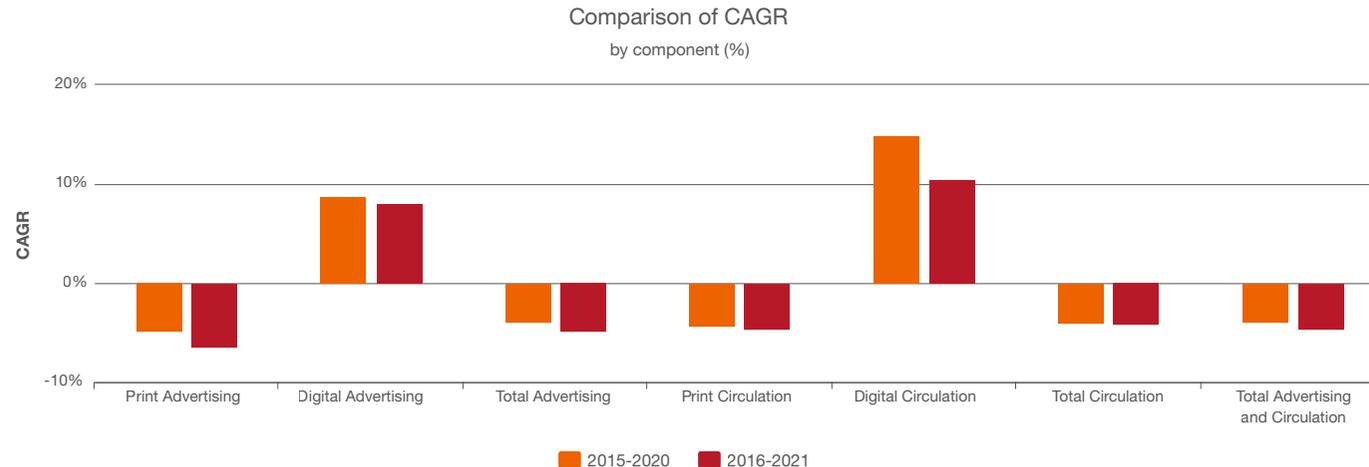
Market growth

The publishers have one thing in common: they need to find a way to increase revenue from digital sources without cannibalising the revenue from print. The overall structural downturn in print persists, especially due to decreasing print advertising revenues. We foresee a CAGR of -6% over the next five years. On the other hand, digital advertising should grow at an 8% annual rate over the same time span. On the whole, the consumer magazine market can be expected to shrink by 4.6% through 2021.

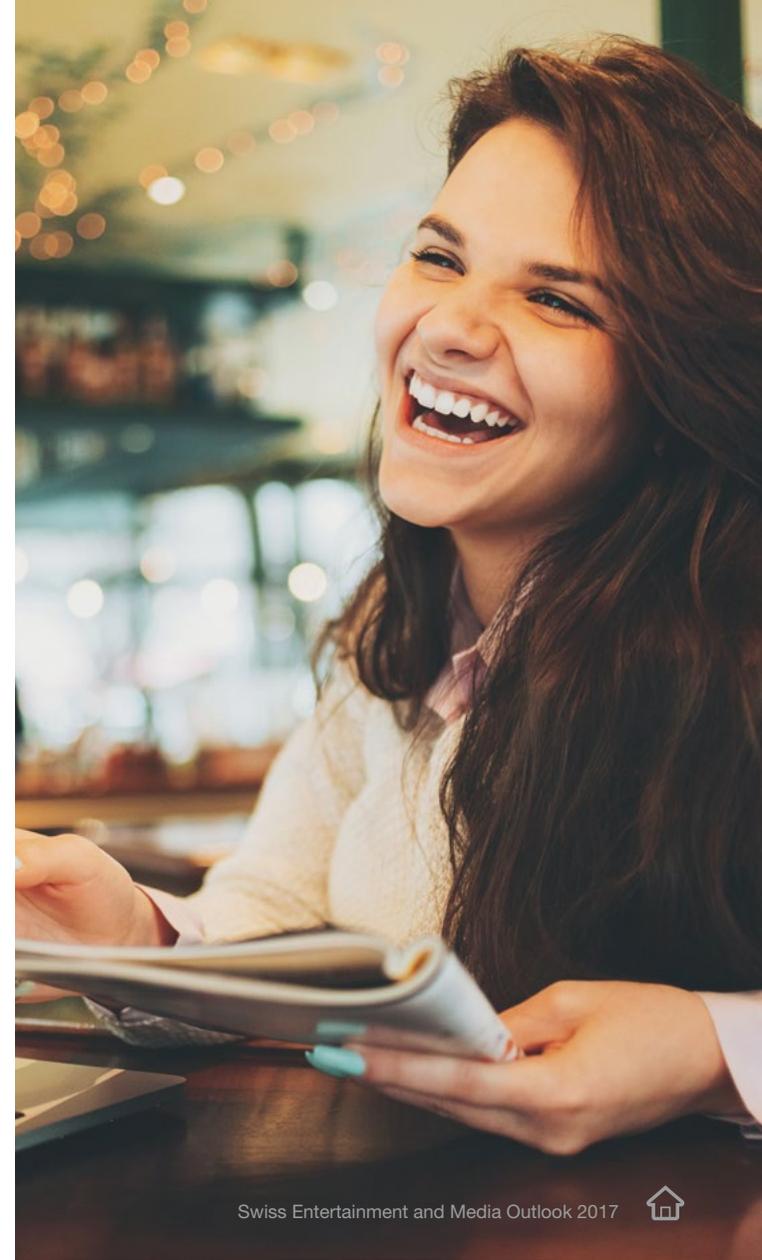
Even though print still accounts for the lion's share of the market, and readers in Switzerland remain print-oriented, the first victims have started to appear. In early 2017, Ringier Axel Springer

Schweiz AG announced that it would stop production of L'Hebdo, a weekly Swiss-Romandie magazine. Overall, the picture is one of a regressive Swiss consumer magazine market. Publishers face the question of how to deal with this situation. An answer may lie in the innovative use of emerging technologies and a diversified approach to revenue sources such as events. Additionally, providing the readers with well put together verticals may increase users' experience.

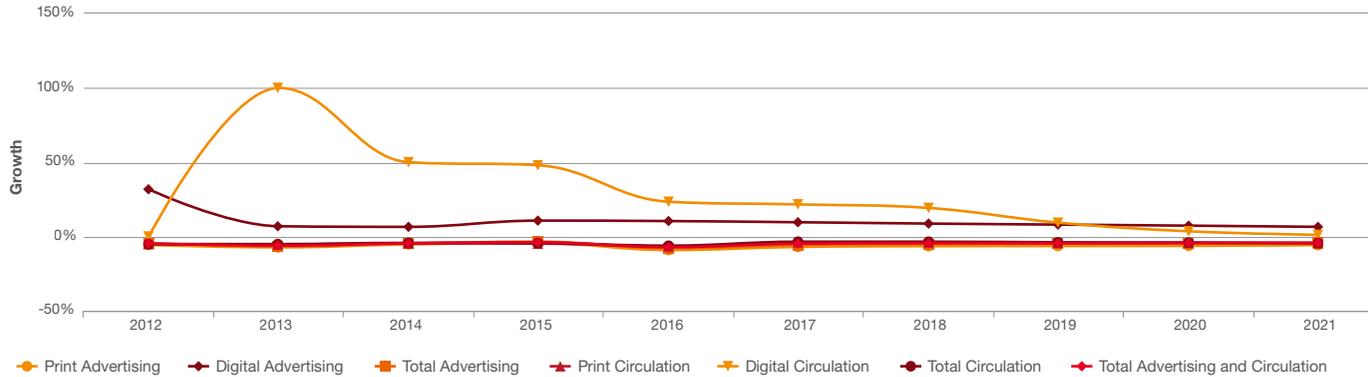
To summarise, it is apparent that digital and print circulation and advertising need to be well aligned and harmonised. Digital should be viewed as a supplement to print, with the ultimate aim of enhancing the customer experience and reaching a wider audience.



Analysis by PwC

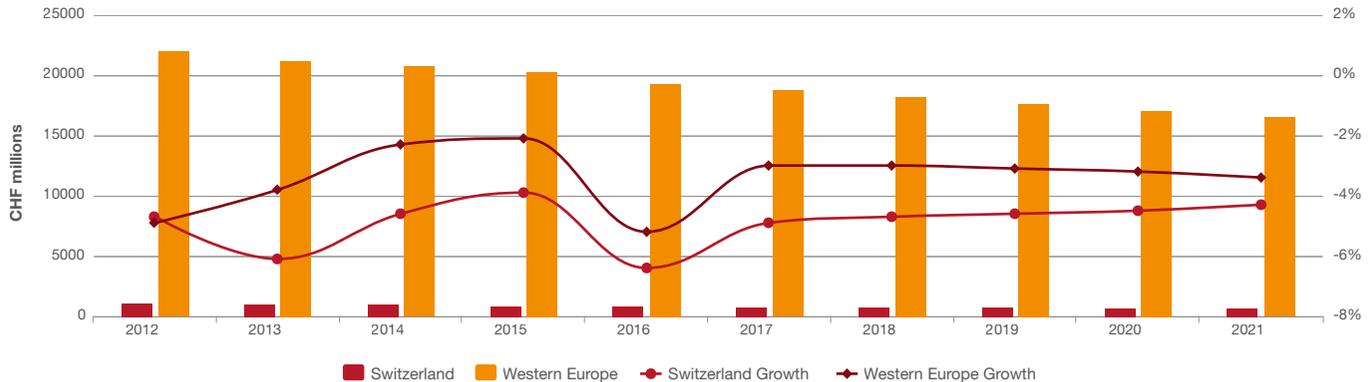


Consumer Magazine Publishing Market Growth
by component (%)



Analysis by PwC

Consumer Magazine Publishing Market Comparison
Switzerland and Western Europe (CHF millions)



Analysis by PwC

Comparison to Western Europe

In Western Europe, consumer magazines tended in the same negative direction as in the Swiss market until 2013. Since then, these trends show less correlation. The negative growth rate in Switzerland increased compared to Western Europe. In 2016, the Western Europe market suffered a one-time decline of CHF 1 billion. It is expected that the market's negative growth rate will recover from it.

Overall, the trends in the revenue streams of consumer magazine publishing are obvious. A closer look at the countries within Europe reveals varying absolute growth rates. This is in reflection of degree of the saturation and development in the given market, especially in terms of digitisation. The compound annual growth rate for Switzerland in digital circulation lies within the upper quartile for Western Europe, presumably because the digital shift is less advanced here. In digital advertising, Switzerland ranks average, whereas the Netherlands, Italy and France are showing higher growth rates and Germany appears to be growing at a relatively slower pace.

In print advertising, Switzerland should slowly decline yet at an increasing rate over the next five years. In print circulation, the UK, Norway and the Netherlands registered a larger decrease in 2016.

