

# Boosting Bottom-Line Performance: The Makings of a Profitable Publisher

BY DEBRA J. STRATTON

If profitability is one of the key factors determining your publication's performance, you're in good company in the Chicagoland area. According to the findings of the recently released *2005 Association Publishing Benchmarking Study*, Chicago-based publications are significantly more likely to operate at a profit than their association counterparts in other areas of the country.

The study was conducted by the Angerosa Research Foundation, the nonprofit arm of Stratton Publishing & Marketing Inc. and underwritten by Stratton, the Society of National Association Publications, and St. Croix Press. It tracks the financial performance of 114 advertising-supported national magazines and journals published by associations, including *FORUM* and 20 other Chicagoland publications.

## Profitability on the rise

Profitability for all publications has gone up considerably since 1998, when nearly 4 in every 10 association publishers (39%) generated a profit from their magazines and journals. Today, nearly half of association magazines and journals (48%) generate a profit before allocating overhead, with a median profit of \$420,139. Among Chicagoland publications (18% of respondents), 66 percent are profitable after allocation of salaries and direct expenses, with a median profit of \$650,000. (See page 41.)

However, once fully loaded with all expenses, salary allocations, and overhead allocations, only 19 percent of Chicagoland publications are profitable, compared with 36 percent for the study overall.

This new focus on profitability bodes well for association publishers who are looking to make their publications even more financially sound, says Laura Kosden, publisher, American Dental Association, Chicago.

"This gives us an opportunity to really see how our operating ratios compare financially with other large health care publishers,"

says Kosden, publisher of the ADA's journal, *JADA*, and newspaper, *ADA News*. "We can share this information with management and also look at different adjustments to make our operations more efficient."

## Association benchmarks provide guides

So what are the makings of a profitable publisher? The *2005 Association Publishing Benchmarking Study* reports on everything from revenue/expense ratios and sales staff compensation practices to trends in outsourcing and research practices.

According to the data, the typical publication is a four-color monthly magazine, published by an individual membership society, with a median issue size of 73 pages. Other key findings include:

- **Median circulation:** 32,348
- **Median full-time staff equivalents (FTEs):** 4 FTEs
- **Ad-to-edit ratio:** Median of 496 editorial pages and 195 advertising pages annually or 28 percent advertising/72 percent editorial
- **Total publication revenues:** \$695,791 (display and classified advertising, circulation income, reprints, Web advertising, and other revenue streams)
- **Web advertising (on the publication's site):** Mean of \$15,745, with a high of \$245,000. Most respondents (70%) report no revenue from advertising on their publication's Web site.
- **Median advertising revenue:** Display advertising: \$411,521; classified sales: \$9,978; total ad revenue: \$371,050.
- **Ad sales management:** Outside sales reps (42%), in-house staff (38%), or a combination of both in-house and outside reps (20%).

There are several factors that separate profitable publications from others, and Chicagoland publications make for good examples. Key characteristics of profit-generating publications include:

- **Increased frequency:** Profitable publications are published at least monthly, making them an attractive venue for advertisers.

## COMPARISONS OF EXPENSES AS A PERCENT OF REVENUE

	<i>NACS Magazine</i>	All Publications	By Revenue	By Frequency/ Revenue	By Issue Size/ Frequency	By Frequency/ Circulation
Production Expense	50%	43%	35%	42%	57%	25%
Design Expenses	26%	6%	7%	7%	8%	3%
Editorial Expenses	14%	20%	17%	20%	28%	17%
Ad Sales Expenses	20%	18%	20%	21%	25%	17%
Circulation Expenses	2.5%	3%	3%	1%	5%	2%
Annual Editorial Pages	642	496	446	675	448	
Full Time Staff Equivalents	3.2	4	3	3	4	10

## HERE'S LOOKING AT YOU: CHICAGO PUBLICATIONS V. ALL PUBLICATIONS

Here's a look at how the Chicagoland publications compare with the entire survey sample:

	All publications	Chicagoland publications
<b>Type of association</b>	76% individual member 18% trade 5% other 1% foundation	86% individual member 14% trade
<b>Frequency</b>		
Monthly + 6-11x/year	48%	71%
1-4x/year	41%	29%
	11%	—
<b>Issue size (median)</b>	73 pages	95 pages
<b>Total publication revenues (median)</b>	\$695,791	\$1,569,500
<b>Median ad revenues</b>	\$371,050	\$1,105,553
<b>Median circulation</b>	32,348	39,306
<b>Profitable after salaries + expenses</b>	48%	67%
<b>Median profit</b>	\$420,139	\$650,000
<b>Profitable after salaries, expenses, overhead</b>	36%	19%
<b>Median profit</b>	\$360,714	\$825,000

- **Tighter ad-to-edit ratio:** Peak performers stick to a tighter ad-to-edit ratio than most publishers, indicating that issue size is determined by levels of advertising to best cover costs. The median ad-to-edit ratio for publications participating in the 2005 study is 33 percent/67 percent.
- **Higher gross revenue levels:** Profitable publications are more likely to generate \$1 million or more in revenues. Median advertising revenues in the study are \$1.6 million, compared

to \$1.8 million for Chicago-area publications.

- **Use of market research:** Peak performers regularly conduct research — a median of every two years for reader research and every three years for market research.

## Electronic trends on the horizon

A new focus of this study included electronic publishing trends:

- More than half (55%) of association magazines and journals post the full text of each issue online, while 36 percent post selected text only.
- Most association magazines and journals (55%) provide open access to online content; 45 percent have password-protected online content.
- Few association publications (14%) have a pay-per-view model for online content access, and only 16 percent plan to implement pay-per-view in the future.
- Electronic newsletters are widespread. For associations nationwide, 80 percent publish e-newsletters, compared with 95 percent for Chicagoland publications.

## Putting the data to work

Benchmarks provide more than financial comparisons. They can guide association publishers to improved performance and strategies for streamlining operations as well, according to Don Chatham, associate executive director, publishing department, American Library Association and publisher of *American Libraries*, *Booklist*, and *Book Links*. He has used the data to assess production costs, examine new revenue streams for his three magazines, and look for other efficiencies.

"The benchmarking data have been helpful in getting a sense of how our member magazine, *American Libraries*, measures up," he says. "The data provide good, objective information for comparison in presenting our performance to member leaders. In addition, the data have been helpful in decisions to streamline paid subscription-based publications and in identifying areas for other research we will be conducting." ■

Debra J. Stratton may be reached at (703) 914-9200 or [dstratton@strattonpub.com](mailto:dstratton@strattonpub.com).