

Facing the perfect storm

As postal rates rise (again), attached renewals can help you sail through

BY SCOTT BULLOCK

Is that sound you hear in the background:

- Publishers slashing their circulation budgets?
- Publishers slashing their editorial budgets?
- Publishers slashing their wrists?

According to Mark Jamison, CEO of Magazines Canada, it may be all three. “Publishers are facing the perfect storm,” he says. “Ad sales are slowing, Newsstand sales are down. The Internet is gobbling up market share. Then, to make matters worse, Canada Post is introducing a new distance related pricing model effective Jan. 12, 2009, which will result in most publishers paying anywhere from 3% to 9% more. Plus, Canada Post wants to reduce its contribution to PAP (Publications Assistance Program) by \$15 million, which represents a 25% cut to the \$60 million dollar program. Effectively, the impact could be more than a 31% increase in the cost of delivering Canadian magazines.”

Jamison also makes a number of other very compelling points:

- The PAP program has never had any inflationary adjustments, so it’s been effectively eaten alive over the years.
- The magazine community worked very hard with Canada Post to help reduce labour and fuel costs through LCP presorting, and the post office has been enjoying those savings annually and cumulatively, to the tune of \$15 million a year.
- Canada Post publications mail revenues have increased by \$85 million since 2003, despite the fact that Canada Post is handling 10 million fewer units.
- Due to rising costs, 85% of newly launched magazines don’t use Canada Post as the primary delivery method.
- While the CPI has risen by 15% over a ten-year period, the cost of delivering a 350 gram magazine has risen by 80%.

Sadly, most businesses (with the exception of government controlled monopolies) have a hard time raising prices that steeply.

As Deborah Morrison, publisher of *The Beaver*, explains, putting costs onto subscribers is not an option, noting that her magazine’s subscription price was recently upped from \$29.95 to \$32.95. “We did that just to make up for the accumulated postal increases over the last three years,” she says. “We can’t do that again.” (See full story at: <http://mastheadonline.com/news/2008/20080715726.shtml>.)

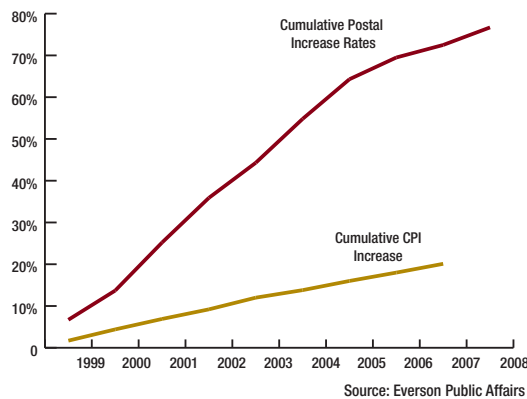
Morrison isn’t alone in this fight. Magazines Canada recently tabled a six-point recommendation to a Canada Post strategic review panel and is planning to submit further recommendations in September.

In the meantime, what are circulators to do?

One tactical device Michael Fox at Rogers Publishing and Doris Chan at Transcontinental Media point to is attached renewals. “Certainly, attached mail is one of the few, if the only, perks

POSTAL INCREASES SINCE 1999

(For 350g magazines)



left in publications mail,” Fox says.

Doris Chan, Transcon’s consumer marketing manager, is considered by most circulation old-schoolers as Canada’s renewal queen. She started testing attached renewals back in 1998 for titles such as *Outdoor Canada*, *Canadian Home Workshop*, *Canadian Gardening* and *Canadian Home & Country*.

Chan discovered that attached renewal packages in polybags had considerably higher response rates than her traditional cover wrap attached renewals. “The cost for the polybag and the full package was more than the cover wrap, but the savings in postage and the higher response rate more than compensated,” says Chan.

On her group titles, attached renewals are used one issue prior to expiry and with the expiry issue. She constantly tests, and while she can’t share specific response rates, she did say that the very fact that this tactic is still being used 11 years later should indicate that it’s working favourably.

Chan also credits her publisher for resisting the temptation to include other supplied inserts

or advertising material in these particular attached renewal polybags, as evidence suggests that bag clutter diminishes response rates. “Support from your publisher is important.”

Other helpful hints from Chan:

- Allow a bit more time to prepare the attached renewals.

- Run your renewal jobs a few days early to allow lettershop time to assemble the packages and have them polybagged.

- No postal permit on your outer envelopes.

- Be careful if you have edition splits on your label job.

- Make sure attached renewal creative on the outer has a strong copy message to get it opened.

Hopefully, our professional advocates at Magazines Canada will be successful in convincing the good people at Canada Post that our sector is worth investing in. As Chan knows, higher renewal response rates mean:

- More money is generated for Canada Post with business reply mail;
- More money is generated for Canada Post when we send out invoices using first class postage on those bill me orders;

- More money is generated for Canada Post when we have higher response rates, and thus the need to send out more magazines each month through publications mail.

Otherwise, the sound you will probably be hearing is the sound of publishers battering down the hatches in a desperate attempt to survive the perfect storm we are all now facing. It’s in the government’s best interest, Canada Post’s best interests, publishers’ best interests, advertisers’ best interests and, most importantly, in Canadian consumers/readers’ best interests that sound business decision-making and sanity prevail.



Scott Bullock is vice president sales and marketing for CDS Global. He also operates Circ3, a circulation consultancy. He has been consumer marketing director with Toronto Life, managing partner with Coast to Coast Newsstand Services and in 2003 was named Magazine Marketer of the Year by the Circulation Management Association of Canada. You can reach him at scott@circ3.com.