

# **FPO Magazine Business Plan**



## FPO Magazine

*FPO (For Publications Only)* is a business/enthusiast magazine whose primary audience is the tens of thousands of publishers, editors, designers and production people who create an estimated 20,000 titles in North America alone according to the National Directory of Magazines.

There are several advantages for launching a B-to-B/Enthusiast title.

- The audience is easily identifiable and the total universe is predictable.
- The advertiser universe is also easy to define and, because the publication reaches a highly-qualified readership, they are willing to pay for a basis rate far in excess of a typical general-interest newsstand publication.
- The break-even point is much more reasonable because physical costs are lower due to smaller target circulations and higher subscription rates than would be feasible with a general interest publication.

In addition, there are specific advantages for launching a title whose scope is defined within our target audience

- Ancillary revenue opportunities are available that further extend the viability of the franchise. Educational conferences, awards programs and web site expansion are all well documented and successful approaches for producing additional profit centers for the magazine.
- The specific scope is underrepresented among professional titles available to the target audience, yet there is enough demographic overlap to provide some statistical resources for predicting the benchmarks for success of *FPO*, a pool of potential advertisers and cross-marketing possibilities among the other titles. In addition, these titles' mailing lists and professional trades for advertising space can provide access to a highly qualified readership that has already demonstrated willingness to subscribe to multiple titles to enrich their professional skills.
- The subject scope, resources for contributors and experience in the industry is well represented by the principals producing *FPO*, including the three-year on-going distribution of a progenitor publication whose current audience of 22,000 can be promoted to convert to the new title.

## Magazine Positioning

Magazine design is an underrated skill within the design community and magazine design is seldom featured in the multidisciplinary enthusiast publications. Yet there are many more magazine designers out there than web, advertising, promotional or packaging designers. And—no surprise—they like to read magazines.

At the high end of the publishing business, at places such as Conde Nast, Hearst and Time Inc. the roles of art directors and designers are marginalized by creative management types who view design as just another sort of production for their titles. But most of the magazines published in America are produced by small publishers or associations and trade organizations. And increasingly, corporate custom magazines are becoming an important part of the publishing spectrum.

The designers at all of these publications often perform multiple roles from designer to typographer to production manager. They use desktop publishing software as their main working tools. In some publications the editorial creative staff consists of a single jack-of-all-trades.

*FPO* is about magazine editorial design and production. It was created to benefit the vast majority of magazine creatives who work in small publication firms or associations and corporations without the benefit of huge publishing company resources. *FPO* is for magazine creatives who need to find fresh ways of producing more creative publications under the kind of budgetary constraints that are typical of smaller publishers and single-title operations. Magazine's whose monthly art budget is less than the cost of a single page of photography in a large news stand magazine.

These people need inspiration from designers whose work has influenced trends and tastes in the industry as a whole, but especially from the designers who work in the same difficult arena as they do, with limited funds and understaffed workflows. They need technical information and education on the programs and equipment they use everyday. They want access to resources for photography, illustration and writing that are compatible with their issue costs. They desire to improve their magazines and gain better design skills. *FPO* is dedicated to providing this content.

## Background

*FPO* Magazine is the brainchild of Robert Sugar, president and creative director of AURAS Design, a publication design and production firm located in the Washington, D.C. area. Sugar has over 25 years experience working in the magazine industry and has been intimately involved with editorial, design, production and business matters of several dozen titles during that time. His firm has participated in the launch or redesign of over 80 titles for a variety of publications in every aspect of the publishing field.

He has also been called upon to critique, advise and consult on a diverse range of publication. His experience also extends to educational presentations and writing. He has been speaking at prestigious industry conferences such as the Folio:Show for more than two decades, and also provides on-site training as well as scheduled conferences for professionals in the publishing industry.

Because of this, Mr. Sugar is ideally positioned to understand the needs of professionals in the industry and has available resources for content and consulting that will make the publication credible and successful.

After reviewing the publications in the graphic design niche, several things were obvious:

- None of the current publications in the wide scope of graphic design (*Print, Step, How, ID, Communications Arts, Applied Arts*) dedicated enough content to the needs of the magazine creative professional, and the B-to-B publications specializing in magazines (*Folio, Association Publisher, Executive Publisher*) have little if any content for the creative audience, focusing instead on management and business issues far removed from the everyday work process of every magazine.
- Magazine professionals use a wide array of skills that are only partially represented in other technical or enthusiast publications. Editorial development, computer and program skills, issues specific to magazine design (covers, tables of content, department templates and feature design), resources for photography, illustration and writing are available to some degree in other enthusiast publications such as *Macworld, X-Ray, Photoshop User, The Writer*, but the content is rarely publications-specific.
- The skill set of many small publishing operations lacks depth. Often a few individuals are responsible for many of the editorial, design and production duties—sometimes all of them. The need for a resource to develop these skills is evident in attendance at professional events and from the work submitted for critique and consultation at AURAS Design. the

response from many of these people to the content of *AuDience*, a quarterly six-page publication that covers the same scope projected for *FPO* has been enthusiastic, if anecdotal.

- There are currently NO ongoing curricula in academic or training venues that covers this specific scope of material.
- Advertisers in both the B-to-B and enthusiast titles in the niche (type houses, stock agencies, printers, paper companies, software companies, computer and peripheral manufacturers, illustrators and photographers) are all excellent prospects for *FPO*, especially if dedicated editorial material is created to support various advertising niches.
- The workflow of a virtual publishing operation are highly compatible with the current workflow at AURAS Design, so all of the design and production operations (which are the most highly critical skill elements of the launch) are already absorbed into the overhead of the studio.
- As a start-up venture the necessity of an instant “hit” is mitigated by absorbing the promotional costs already associated with the *AuDience* newsletter; costs that are already budgeted into the studio overhead. Moreover, the business model for the magazine requires a fairly small initial circulation for the start-up to proceed.
- Publishing businesses are excellent candidates for *FPO*, and subscription rates for business education can be two- to three-times the cost of a general interest magazine subscription.

## Working the Numbers

In launching *FPO*, the numbers have been conservatively based by choosing to use similar niche publication rates and using .5 as the multiplier. Thus our numbers are based on doing only half as well as the direct completion, and in reality even less.

Within the graphic design enthusiast niche, the highest-circulation publication is *Print Magazine* at 48,000. More typically, both *How* and *Step* are around 25,000. The B-to-B numbers are much smaller. *Folio Magazine* has a controlled circulation of under 10,000. Yet, the advertising rates for all of the publications are remarkably similar: between five and six thousand for a gross full-page. This is currently completely at odds with the basis rates of consumer magazines but in line with many B-to-B industry publications. Because of the specialized audience, the niche publications attract advertisers that would never consider buying into such a small circulation.

**The initial circulation goal for *FPO* is 2,000 subscribers at \$50 each.** The hoped-for ul-

imate goal would be around eight thousand subscribers. Considering the other publications in the niche and the propensity of publishing professionals to subscribe to multiple titles, this goal is achievable.

**The advertising/editorial ratio of the publication initially will be 1/5.** Each quarterly issue will have 8 pages of advertising in a 68 page issue. The revenue on the advertising is based on a bottom-line net page rate of \$2,000.

**The total advertising and subscription revenue based on these low-end figures is \$164,000.**

**The high-end cost for printing and mailing of each 68 page edition would be approximately \$18,000 and the editorial development about \$20,000.** Thus the total cost for the publication in year one is \$112,000. Initial promotion costs are estimated to be \$30,000 for advertising, PR and promotion.

**The initial business strategy is to produce the first four issues to service the initial subscriber base and as complimentary issues mailed to potential subscribers.** Initially we will distribute 10-15 thousand promotional copies of each issue to select lists to promote subscription, substantially increasing production and mailing costs. In year two other promotions will include an awards contest and an educational conference, but promotional mailings will be eliminated in favor of direct mail and email promotion. In addition FPO will continue to develop a valuable internet presence that will generate new subscriptions and higher visibility in the publishing community.

**The ultimate early phase (3 years) goals of the publication is a circulation of 4,000 and a page count of 68 pages with 6 pages of advertising per issue.** As a quarterly, this will generate \$224,000 in annual revenue. Eliminating massive promotional mailings of copies, printing and mailing of each issue will be approximately \$10,000. When the publication reaches its minimal first-phase goals, it should generate a positive cash flow of about \$50,000.

**The value of the title extends beyond simple black ink.** The magazine will be successful if it breaks even in years one and two because of its value as a new brand and the potential to spin ancillary products off the magazine:

**Classes and conferences** Currently, AURAS generates \$30,000 per year on Master Classes. These revenues can easily be tripled through the development of a more extended program. Currently our program has 40 applicants per year. Boosting attendance to 70 people would make the program a still-small event that will generate in excess of \$60,000 in revenue.

**Award Competition** Based on the American Design Awards and the Ozzie Awards, even a minimally successful contest with a submission of only 200 entrants would still generate \$20,000 against minimal processing requirements. Consider that the other contests have submission amounts of six to fifteen times that count and this ancillary project can grow greatly.

The promotional value of the project to AURAS Design is another mitigating factor. The publication will raise the profile of the studio in the industry through greater exposure and increased contact with potential clients. The fee for a typical redesign is about \$35,000, so the generation of just a few successful leads will make the publication worthwhile even if it makes no money.

The worst-case scenario is 1000 subscribers only. This still generates \$44,000 against total costs of \$180,000, giving AURAS an exposure of \$136,000. Since the studio has committed \$42,000 annually to *AuDience*, which this project replaces, the actual exposure is \$96,000.

#### FPO YEAR ONE

Subscribers	Ad pages	Revenue	Creative	Printing	Mailing	Promotion	Overhead	TOTAL
2000	8	96,000	-30,000	-50,000	-24,000	-25,000	-30,000	-63,000

#### FPO YEAR TWO

Subscribers	Ad pages	Revenue	Creative	Printing	Mailing	Promotion	Overhead	TOTAL
3000	16	166,000	-30,000	-30,000	-12,000	-40,000	-30,000	24,000

#### FPO YEAR THREE

Subscribers	Ad pages	Revenue	Creative	Printing	Mailing	Promotion	Overhead	TOTAL
4000	24	225,000	-50,000	-36,000	-18,000	-40,000	-40,000	51,000

#### FPO WORST CASE YEAR ONE

Subscribers	Ad pages	Revenue	Creative	Printing	Mailing	Promotion	Overhead	TOTAL
1000	0	44,000	-30,000	-50,000	-20,000	-20,000	-40,000	-136,000

#### FPO WORST CASE YEAR TWO

Subscribers	Ad pages	Revenue	Creative	Printing	Mailing	Promotion	Overhead	TOTAL
1500	8	82,000	-20,000	-16,000	-5,000	-20,000	-20,000	1,000