RamsayMedia stays true to 360 degree strategy

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One often gets the sense that some print-media companies' response to the dramatic changes in the industry amounts to little more than putting out fires - rather than crafting a strategy for the future. RamsayMedia - the publishers of magazines such as *Car, Getaway, Compleat Golfer* and *Popular Mechanics* - started implementing its strategy to become multi-platform and diversify income to reduce reliance on advertising revenue a few years back. I caught up with the man with the plan, RamsayMedia MD Stuart Lowe, to find out how it's going.

Stuart Lowe

- ***When I last interviewed you about two years ago all your magazines titles were digital and since then you guys have launched various apps for tablets. In many ways you were ahead of the curve. I remember you said to me that you will struggle in the print industry if you are generalist and low down the quality offering but if you're specialist and at the top end of the quality offering - married with digital - there is a sustainable future. Do you still think that?***

  Stuart Lowe: Ja. We're definitely committed to that view and I can tell you that since we last spoke, we've had the benefit of seeing the European and North American trends lead the way - and had the benefit of seeing some success stories in exactly this. And what you see there is specialist-interest communities serviced with multi-platform media thinking but with a really aggressive play towards diversified income. So (it's about) how do we take this community who by definition are high-net wealth individuals if they're in a particularly tightly defined vertical, and how do we reduce dependency on advertising money?

So the models are, first of all, to decide whether you want to build it or buy it. And a lot of the success stories - particularly out of places like Haymarket - are where they've had an aggressive purchase of digital assets which they bring into that grouped community. And, in that, they reduce their dependency on advertising and are aggressively in the business of transactional revenue. So they're not so much in the media business but in the business of actually selling goods and services into that vertical.

- ***Which is not easy if you're a generalist.***

  Lowe: Well, if you're a generalist you're in the want-it-all Kalahari kind of space and there's still money to be made there - you know, the big news portal flowing through with generalist content with generalist transactional solutions. But we're particularly excited about the fact that we have the insight to know an enormous amount about a pre-defined vertical market and that we can create content and offers that service that industry to our benefit.

The agony for us is that everything takes time. So our model has evolved from being a magazine publisher to a multi-platform media company to now being clear on the need for diversified income, away from just the advertising model.

OK, let's take your flagship title, Car. That is the flagship, right?
Lowe: Between *Car* and *Getaway*, that's 80% of the income for the company.

OK. So, as an example, how are you reducing the dependency on advertising revenue when it comes to* Car *(which according to the most recent ABCs, for the second quarter of 2012, had 87,782 total circulation, of which 2,685 were digital editions)?
Lowe: The timing's interesting, for me to be specific. There'll be a big launch early next year - much more aggressive than anything we've done in the past out of *Car*. And it's exactly that. We have a community. We have 200,000 eyeballs. We have audiences across eventing and across magazines and how do we drop a transactional solution in there where we can actually help to sell cars?

There isn't such a solution at the moment?
Lowe: We've got something called Car Mag Dealer but it's kind of led us to a point where we can see how much success it's going to have. But a bit like the Haymarket model, we're going to collaborate with another pre-existing digital entity to produce a much more aggressive play in that area. But at the same time we have to get the basics right of having great content, great advertising prospects and, in that regard, we do really well in selling digital ad space. That's a big part so we have to keep that existing engine running while we start these new businesses - that's the challenge.

Specifically with* Car *or is this a challenge across all the brands?
Lowe: Across all the brands because these are plays for the future that are going to require investment capital and they're going to require patience. And in the meantime, we've just come off two years of the ad spend in the magazine sector declining by 5% - and everybody has growth aspirations.

So if you plug in your growth aspirations of 10% hypothetically and the market shrinks by 5%, then you've got nowhere to go - you've got to seriously contain your costs and urgently look for new revenue streams. So 2012 has been a hard year in that regard, I think, for everybody - and RamsayMedia's been no exception.

We believe we have the strategies to punch above our weight in terms of the slice of the pie that we get. We are not down on last year. We're marginally up - by 3% or 4% on ad revenues - but that's still disappointing for us, given our aspirations. So the next few years strategically, my view, is that first and foremost we need to be really realistic about what our revenues can and will look like and have reduced revenue and profit expectations for the next year or two while we get the basics right -and make sure we keep quality at the forefront of what we do while we're diversifying our income streams. So our strategy hasn't changed (since two years ago). There's a little bit more urgency towards the transactional side.

We have also since then started three new businesses that I don't think the world knows about as much they should. We have RamsayMedia Logistics...

Is that distribution?
Lowe: Ja, it's focused on subscription management... That business will produce more than a million rands worth of profit for us this year.

So this is not just for your titles? You're doing subscription management for other companies.

Lowe: For years we looked after our own titles but in our humble opinion we are by far the best manager of subscriptions in the country - and I'm talking about advanced data-management processes, our retention techniques, our quality of service levels, the software systems we use and the integration across print and digital and apps. We did that for ourselves and now we offer that to Associated (Magazines), Condé Nast and to 29 other magazines.

That's a clever idea as there must have been a gap in the market when (Media24's) On the Dot went through the chaos of the new Cycad system.
Lowe: Ja, it's a great competitive advantage that we have in that area. So while we acknowledge that print (subscriptions) are flat or are in decline in some areas because that's the reality, the single most crucial fact inside of that business is that of the total digital editions sold in South Africa, RamsayMedia is responsible for selling half of them. There are about 35,000 subscriptions to digital editions in the country at the moment and we are currently running at 17,000.

And what are the other businesses you've launched?
Lowe: The other businesses are custom publishing, which has grown nicely and the growth has come organically out of doing more for those customers (for example, Sanlam)... There's a bit of book publishing also coming out of there. And the last business is RamsayMedia Research Solutions, which is a completely stand-alone joint venture. We have three products out of there. The most well known is Top End (an annual study of the most affluent people in SA; the first one came out late last year)...

So there's a lot of pots on the boil here. That's a lot to manage but I suppose this is what it has to be today?
Lowe: Ja, the challenge is to get the basics right all the time because we're a detail-intensive business. Your core economic engine's got to keep running while you're incubating new business. Also, the structure (of the company) is crucial to the success...

And now what about Popular Mechanics? It's doing fabulously (at 49,916 total circulation - of which 2,682 were digital editions - in the Q2 2012 compared with 45,071 in the same quarter of the previous year). Why is it growing, do you think?
Lowe: I think there's an increasingly mainstream intrigue with the way the world works. And that's what it answers. Whether it's stuff that happens in your life outdoors or whether it's science and technology or automotive, I think there is increasing capacity to want to understand tech. So you see it with *Stuff* (magazine). They've made gains too, which illustrates it's a common trend but our gains have been more material so that we are three times the size of them (in terms of audience).

So how do you go about reducing dependency on advertising with something like* Popular Mechanics*. Do you sell gadgets?
Lowe: The first place we're looking on *Popular Mechanics* is eventing. So if we've got the magazine and digital assets - both dependent on advertising - how can we have a lived experience that can be sponsored and/or paid for by consumers directly to come and experience stuff? What we've started doing is packaging unique *Popular Mechanics* tours to places such as South Africa Large Telescope so there's a travel component with an expert technology person leading the tour. That's one thing we've dabbled with in the past year.

And the second and the biggest thing is Future Tech, which we've just had and it was a huge success. This was experts speaking about technological breakthroughs and how they impact on our everyday lives and it ended with an inventors' panel, where you could pitch your invention to patent attorneys, etc., who interrogate the integrity of your invention. And then there was an awards ceremony acknowledging the best Popular Mechanics invention of the year. It's a brilliant event that we'll grow over time. We've also got our eye on shows and exhibitions in that space but nothing specific. We're very pleased with the performance of the brand.

Talking about being specialist, one looks at* Car *and one is tempted to think that there's nothing to touch that brand because it's so much bigger than the other car magazines. But the competition comes from everywhere, doesn't it? Not just other magazines and online but also TV?
Lowe: Ja, our biggest threat comes from television. If you look at the ad-spend pie, it grew 4% to 5% year-on-year and

yet magazine ad spend is in decline and internet may be up but it's off such a tiny base. And then you've got to ask: 'Well, where did the rest of the growth come from?' And it came from TV and radio. We lose more to TV and radio than we do to competitors in other verticals around us. So our antidote to that phenomenon is that we're not selling magazine advertising; we're selling a conversation with a specialist-interest community. And the more multi-faceted that conversation is, the more power there is in the engagement and the more the response is going to be for our advertising partners. And that's the model.

The challenge for us is that it's more complicated to sell. The sales proposition is more complex so you need greater sales skill. Also, when you get to the person you're trying to sell to in the media agency or at the client, in some instances, their ability to respond to a 360 degree offer is fragmented on their side. They have a digital agency, an events agency, they have a PR agency, a creative agency and a media-buying agency. And now we're going and saying: 'We want to offer you an end-to-end solution' and they say: "Well, you're going to have to see six people'. Now that works against us sometimes but often our relationship with our direct clients is such that they will say: 'I'll bring all those components together, consolidate my budget and have that 360 degree strategy'.

But it's not easy. I've made the point that these are very trying times with reduced spend in our market. I'm sure that we would do better on revenues if we just sold magazine space. But that would be a very short-lived victory. Our prospects for the future would immediately be diminished so we have to stay true to our 360 degree strategy.

And we're so heavily invested in it now we just need the patience to incubate some new activities and we need a more buoyant market so that we can produce the profits that are expected because, at the moment, it's difficult. We're not trading better than anybody else in our world.

We're not claiming to be an exception to the rule in terms of how difficult revenues are but we are claiming to have a formula for success for the future - that we're well down the road in building.

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