EXECUTIVE COMMENT

FIPP INSIGHT

As growth of the world economy is getting smaller each year (slipping from 5.1% in 2010, 3.7% in 2011, 3.1% in 2012 and just 2.9% in 2013) and world inflation is still around 4.0% (3.9% in 2013) times are still prudent and careful. But the future shows a more optimistic perspective as GDP is forecast to grow around 5 or 6% year-on-year.

The media industry also sees growth figures of around 5 to 6% per year, although the challenges to be faced are still big. Technology is moving on fast and media developments follow as quickly. Terms like 24/7, the consumer in control, anyplace-anywhere-anytime, the connected consumer, always on, convergence and programmatic advertising should sound familiar. With an overall media spending of US$89 per capita in 2013 the investments to reach the consumer grew 3% year-on-year compared to 2010 (US$82) and will even increase to a 5% growth year-on-year to a level of US$102 in 2016.

Internet still emerging

Around 40% of the world population has an internet connection today. The number of internet users has increased tenfold from 1999 to 2013. The first billion was reached in 2005, the second billion in 2010 and the third billion will be reached by the end of 2014. In 2014 nearly 75% of all internet users in the world live in the top 20 countries.

The remaining 25% is distributed among the other 178 countries, each representing less than 1% of total users.

China, the country with the most users (642 million in 2014), represents nearly 22% of total, and has more users than the next three countries combined (United States, India, and Japan). Among the top 20 countries, India is the one with the lowest penetration: 19% and the highest yearly growth rate. At the opposite end of the range, USA, Germany, France, UK and Canada have the highest penetration: over 80% of the population in these countries have an internet connection.

The biggest challenge is monetising the digital consumer

Looking at the global media market, revenues will continue to grow in line with global GDP. But this apparently consistent picture masks deep discontinuities, as digital drives revenue growth and spending diverges across different segments and countries. In 2016, non-digital media will continue to account for the largest share of global spending, TV will still be the biggest advertising medium, and the US will be the world's biggest entertainment and media market. But digital revenues and internet advertising will have narrowed the gap as will the eight high growth markets (China, Brazil, Russia, India, Mexico, South Africa, Turkey, Argentina and Indonesia) which are collectively forecast to account for 21.7% of global entertainment and media revenue in 2016. Although consumers are embracing digital content experiences, consumer revenue from digital sources – excluding internet access – will reach only 17% in 2016 from 10% in 2013. More must be done to encourage not just consumers' digital behaviours, but their digital spending. Therefore advertising will outpace consumer spending in the migration to digital.

The growth of 24/7 access and micro-transactions suggest that the key to monetising the digital consumer is to adopt flexible business models that offer more choice and better experiences.

Digital success is not just about technology. It's about applying a digital mindset to build the right behaviours: not just quicker, but more targeted, experimental, experiential, inclusive and collaborative. This shift towards a more personalised customer-centric organisation is maybe the single biggest change since the advent of digital media.

And hence the challenge for the magazine industry still continues.

Magazines, now and the future

Globally, total magazine revenue will resume growth in 2015. Although there was still a decline in 2013 (-0.7% compared to 2012), in 2015, the magazine publishing industry will reverse years of decline to record 0.2% year-on-year growth as overall digital gains outweigh falling print revenue. In 2016, total magazine revenue will reach US$97.3 billion, up from US$97.1 billion in 2013.

Digital magazine circulation revenue will see the fastest growth. Global digital magazine circulation revenue will rise at 43.4% year-on-year reaching US$5.2bn in 2016. As companies see more success in turning digital magazine consumption from free-of-charge websites to paid-for digital editions, digital will move from accounting for 4% of total consumer magazine circulation revenue in 2013 to 11% in 2016.

Currently advertising is centred on magazine websites, but, as digital circulations increase, electronic editions will become increasingly popular for advertisers. In 2013 total digital advertising accounted for US$8.4 billion, 17% of total advertising revenue. Global digital magazine advertising revenue will be US$13.4 billion in 2016, which means more than a quarter of total advertising revenue (27%).

Emerging economies such as China, India, Russia and South Africa will see the fastest growth in B2B magazines. As businesses in all types of economies look to grow and increase market share, both advertisers and readers will find their way towards B2B magazines and therefore increase total revenue.

Sources: *CIA World Factbook July 2014, Internet Live Stats, ZenithOptimedia Advertising Expenditure Forecast June 2014 and PwC Global entertainment and media outlook 2014-2018, www.pwc.com/outlook*

Methodology: *Gathering complete and accurate information about magazines in 47 countries is a challenging task. FIPP receives, where available, completed questionnaires from its national magazine association members and selected individual publishing company members and research organisations. In addition to this, we incorporate advertising data provided by ZenithOptimedia and circulation data from PwC.*

Despite our best efforts, much of the data requested simply doesn't exist, particularly in developing countries where the magazine industry is relatively new. Or it is collected in ways that make it impossible to fit the data specifications we request. In addition, in some countries the absence of audited circulation data means that the claimed circulation figures for individual titles may be unreliable and misleading. Nevertheless, each year we are making progress in improving the database and in getting narrative explanations of the trends in each country. See methodology in the references section for further details.