

## e-newsletter

Media Convergence Asia-Pacific is happy to send you this CONFIDENTIAL newsletter about recent developments in the region. This regular newsletter will be sent to media companies' CEO's and senior executives.

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**Didier Guérin**  
President

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## 2008 Asia-Pacific Magazine Advertising Forecasts:

- **20.2% growth in India**
- **14.3% growth in China**
- **9.2% growth across the region**

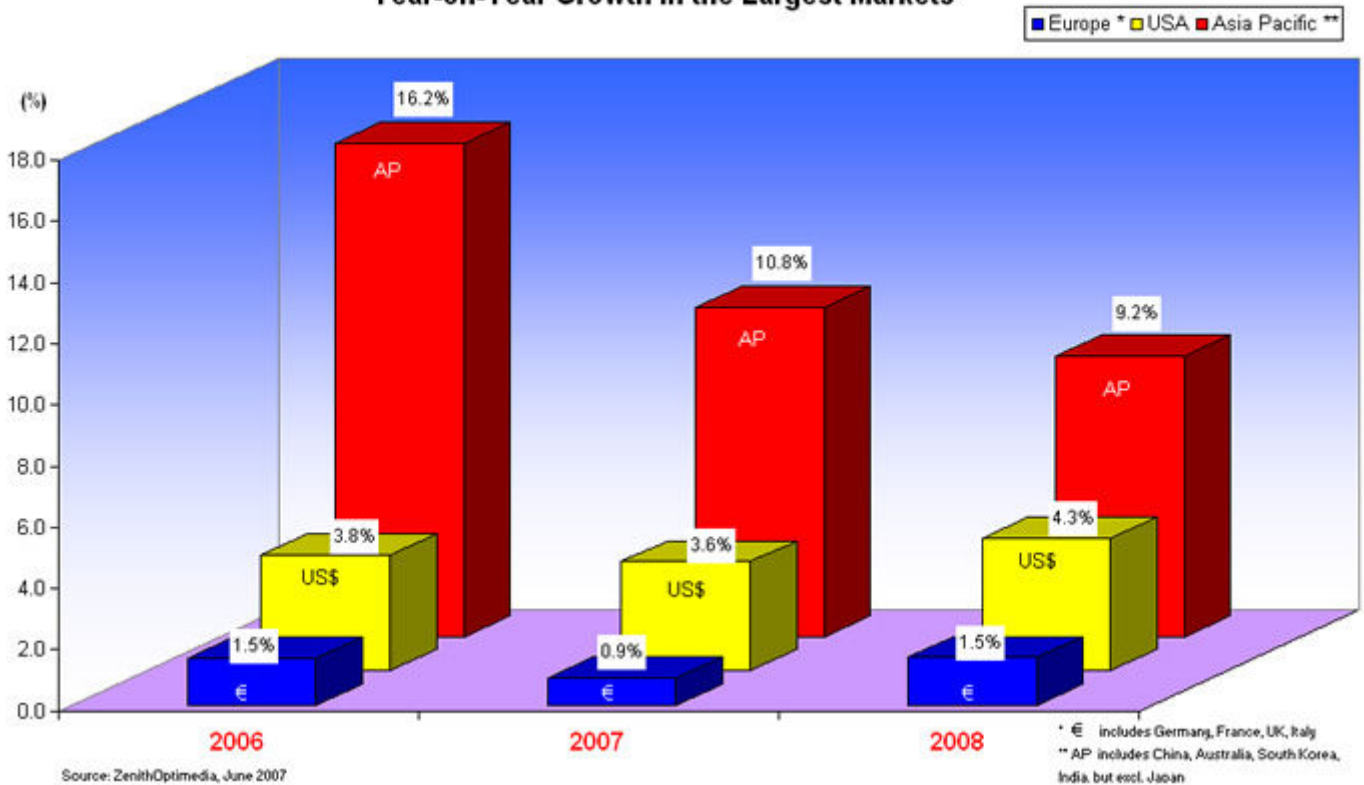
Magazine advertising expenditure in the **Asia Pacific** region's main markets is expected to grow at a rate of 9.2% in 2008 (compared with 4.3% in the **US** and 1.5% in **Europe**).

Outside **Japan** – which is still contracting – four markets in the region will show the largest advertising growth: **Australia, China, South Korea** and **India**, representing close to US\$1.9 billion of magazine advertising.

Unless the **US** economy goes into a recession in early 2008, these four markets are expected to continue experiencing strong economic expansion until at least 2009. As has happened during the nine years Media Convergence Asia Pacific has been monitoring the region's magazine advertising, **China** and **India** are expected to be the powerhouses with another year of double-digit growth. **ZenithOptimedia**\* – which has been fairly conservative in its projection – forecasts **China's** magazine advertising spending will grow by 14.3% with **India** up by 19.8%. Based on the resources of the **WPP** network, **GroupM** is more bullish on **China** and predicts a 28% increase in 2008 compared with an 18% growth in **India**.

\* **ZenithOptimedia** is one of the world's leading global media services agencies, with 175 offices in 69 countries. The annual *Advertising Expenditure Forecasts* report is based on the company's tools for strategy development and implementation (ZenithOptimedia Optimisation of Media), which have been designed to add value and insight. The following analysis has been prepared by **Media Convergence Asia Pacific**, which has isolated the magazine industry data from **ZenithOptimedia's Forecasts**. All figures are in current prices.

Magazine Advertising Expenditure  
Year-on-Year Growth in the Largest Markets



## Country by Country Projections for 2008:



**Japan**  
**-0.5%**



**Australia**  
**+5.0%**



**China**  
**+14.3%**



**South Korea**  
**+3.0%**



**Taiwan**  
**+4.5%**



**Hong Kong**  
**+9.5%**



**India**  
**+20.2%**



**New Zealand**  
**+2.0%**



**Thailand**  
**+7.0%**



**Indonesia**  
**+20.0%**




**Singapore**  
**+4.7%**




**Malaysia**  
**+2.5%**

## 2008 Magazine Advertising Forecasts in Asia Pacific by Country:

Source: Zenith Optimedia Forecasts - June 2007

<b>JAPAN</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in million Yen and at current prices)
	2006	<b>-1.5%</b>	388,700
	2007	<b>-1.1%</b>	384,500
	2008	<b>-0.5%</b>	382,700

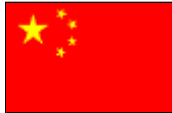
**Japan's** economy expanded at an unexpectedly healthy pace in the third quarter and its Gross Domestic Product (GDP) could possibly grow by 2.6% in 2007 - a strong rebound from the April-June period when the economy contracted by an annualised 1.6%. Even if domestic consumption does grow slightly this year, Japan is still a nation where advertising spending remains at best flat. Japanese magazines have actually experienced a decrease in spending (at current price) every year for the last 13 years. The pattern is expected to continue in 2008 and 2009, with magazines facing a steady erosion of their share to about 8.2% of all media advertising. Although it collects 50.2% of the magazine advertising spending in the Asia Pacific region, the second largest economy in the world now ranks fourth in the value of its magazine advertising after the **US, Germany and France.**

<b>AUSTRALIA</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in million A\$ and at current prices)
	2006	<b>7.0%</b>	778
	2007	<b>5.0%</b>	817
	2008	<b>5.0%</b>	858

With a 3.75% GDP growth expected in the current financial year (ending in June 2008), the **Australian** economy will experience its 16th consecutive year of expansion. Although putting pressure on interest rates, inflation is contained below 3%. Unemployment reached a three-decade low of 4.3% and the nation's foreign debt has been eliminated. This new prosperity has pushed the Australian stock market to outperform the global market by approximately 5% annually during the last 10 years. Despite a modest population base (20 million people), this performance has created a new level of wealth with consumers enjoying high disposable income. The new Labour Government elected in November is expected to continue the conservative policies of the previous administration.

These conditions are exactly what advertisers like and the mood among clients and advertising agencies remains up-beat. The chairman of Australia's largest media buying agency, Harold Mitchell, predicts 6% growth in advertising spending for 2008. However, several recent magazine acquisitions by private equity companies in Australia are forcing the A\$2 billion industry to concentrate on its already high margins with more acquisitions than organic growth.


In the last fiscal year, which ended on June 30th 2007, the largest magazine publisher **ACP** -owned by **Publishing & Broadcasting Ltd.** - generated a profit of A\$248 million on revenue of A\$794 million. In other words, an earnings margin of 31.2%. Meantime, **Pacific Magazines**, owned by the **Seven Network**, earned A\$44.5 million on revenue of A\$263 million - a margin of 16.9%. These two companies control 78% of the Australian magazine market (52% for **ACP** and 26% for **Pacific Magazines**).

<b>CHINA</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in million RMB and at current prices)
	2006	<b>23.7%</b>	3,077
	2007	<b>20.0%</b>	3,693
	2008	<b>14.3%</b>	4,221


After growth of 11.1% in 2006, **China's** economy expanded at an annual rate of 11.5% in the third quarter of 2007. On the down side, its consumer price index climbed to a 10-year high of 6.5% in October and Chinese officials face a major challenge to meet the predicted inflation level for the full year of around 4.5%.

**China** now sits on the world's largest foreign exchange reserves of US\$1,330 billion. Disposable income is growing fast and is starting to influence domestic consumption and individual investment spending. The Shanghai Composite Index was below 2,000 a year ago. Today, it is around 5,000. Significant advertising growth also is expected over the next two years during the build up to the 2008 Beijing Olympics and the Shanghai World Expo in 2010. Magazine advertising is expected to increase by 14.3% in 2008, following a 20% increase in 2007. **ZenithOptimedia** points out: "The most dynamic adspend growth is coming from online, estimated at just over 45% in 2006, generating revenues of US\$759 million. The number of Chinese internet users now exceeds 100 million, concentrated primarily in the main urban centres."


Separately, **GroupM** in its *Worldwide Media and Marketing Forecasts* predicts magazine advertising spending in **China** will grow by 28% in 2008, after the 22% forecast for 2007.

<b>SOUTH KOREA</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in million Won and at current prices)
	2006	<b>8.1%</b>	360,974
	2007	<b>5.0%</b>	379,023
	2008	<b>3.0%</b>	390,393


Marking its 18th consecutive quarter of expansion, the **Korean** economy grew by 5.2% during the third quarter of 2007 (compared with the same period in 2006). **Goldman Sachs** recently revised its GDP growth estimate for 2008 to 5.3%. Inflation and unemployment are stable at 2.5% and 3.2%. Meantime, to the delight of advertising agencies and local publishers, domestic consumption has regained strength (+7.2%) and luxury products are experiencing record sales. **ZenithOptimedia** predicts: "The presidential election, set to take place in December 2007, is expected to give a boost to advertising expenditure in the latter half of the year". Hence, the major free to air and cable TV operators have increased their rates – replacing a bonus system – by 20 to 30% since January. Therefore, **Media Convergence** estimates magazine advertising spending should grow in 2008 far in excess of **ZenithOptimedia's** low annual forecast of 3.0%. Early bookings for the first and second quarters 2008 are already showing a healthy trend.

<b>TAIWAN</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in million NT\$ and at current prices)
	2006	<b>-2.8%</b>	6,359
	2007	<b>-6.0%</b>	5,978
	2008	<b>4.5%</b>	6,247

**Taiwan's** economy grew by 6.9% in the third quarter of 2007, the fastest quarterly growth since early 2002. The 2007 GDP growth is now expected to reach a three-year high of about 5.5%. Although the economy is doing well, the domestic magazine advertising market does not receive its fair share of investment because advertisers are putting an increasing amount of resources into mainland **China**. Taiwan already is a mature magazine market - like **Japan, Australia** and **Hong Kong** - with its magazine advertising share of up to 11.7%.

HONG KONG		Growth over previous year	Magazine Advertising (in million HK\$ and at current prices)
	2006	4.3%	2,835
	2007	6.7%	3,024
	2008	9.5%	3,311


In 2008, the **Hong Kong** economy and its domestic magazines should continue to enjoy the steady expansion of the last two years. The market offers good growth prospects for established magazine companies, but few opportunities for potential newcomers to a market which has a small population (7 million) and is already well-covered in all categories. Hong Kong's magazines still enjoy the highest share of advertising spending among all media in the region with 13%.

INDIA		Growth over previous year	Magazine Advertising (in million Rupees and at current prices)
	2006	57.5%	9,506
	2007	19.9%	11,400
	2008	20.2%	13,700


Although GDP growth reached 9.4% last year, the **Reserve Bank of India** has projected a growth rate of 8.5% for the fiscal year 2007-2008 (ending in March). Inflation remains an economic challenge and a series of measures to curb credit growth and lower short-term interest rates pegged inflation to 4.27% in mid-2007 – down from a two-year high of 6.73% in January.

Although India's magazine advertising is still minuscule compared with the newspaper and TV industries, it appears to be better measured than a few years ago. Hence, magazine advertising spending seems to be growing at a faster rate than the other media in India, with the exception of the Internet. After an annual growth rate of close to 60% in 2005, magazine advertising spending is now increasing at about 20% annually - faster than China (yet from a much lower base) and the most rapid rise among magazines in the Asia Pacific region.


The huge disparity of wealth in **India** is reflected in the country's advertising spending. Within its 1.1 billion population, on the one hand, 300 million poor people are living on an income of less than one US dollar a day and, on the other hand, close to two million households are earning more than one hundred thousand US dollar a year. In the next five years, India can expect its magazine market to grow at least four times faster than the rest of the world. However, for the time being, the market remains small. Hence, for the **Comité Colbert** - the association of the 68 most recognised French luxury brands - India provides only €70 million in revenues compared with €30 billion of business worldwide. If you take the 10% to 25% of revenue usually spent on advertising by these luxury brands and affect a generous 40% allocation invested in magazines, you are left with just €3 and €7 million a year which will find its way to the advertising pages of Indian magazines.

NEW ZEALAND		Growth over previous year	Magazine Advertising (in million NZ\$ and at current prices)
	2006	-3.5%	251
	2007	-2.0%	246
	2008	2.0%	251


Real GDP growth has been disappointing over the last two years, although the second quarter in 2007 showed the fastest pace in 2½ years and topped the 2.6% increase expected by economists. **ZenithOptimedia** points out that TV cost inflation is becoming a major issue in **New Zealand** where "younger audiences are in decline, with a notable decrease in TV viewing in the 25 - 34 age group." This situation does not appear to benefit the magazines which, despite a large share of local advertising spending (11.7% estimated in 2007), remain concentrated among a few owners.

<b>THAILAND</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in million Baht and at current prices)
	2006	<b>-0.4%</b>	6,748
	2007	<b>2.5%</b>	6,914
	2008	<b>7.0%</b>	7,398


Higher public spending is fuelling economic expansion, but the steady appreciation of the Thai Baht has lowered export growth. **Thailand's** Finance Ministry has maintained its 2007 economic growth forecast at 3.8% to 4.3%. Thailand's robust series of magazine launches over the last three years has increased the share of media spending in magazines to 7.1%.

<b>INDONESIA</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in billion Rupiah and at current prices)
	2006	<b>2.9%</b>	1,247
	2007	<b>25.2%</b>	1,561
	2008	<b>20.0%</b>	1,874

Despite the impressive performance of the magazine industry, the **Indonesian** Government has taken a series of conservative measures which are not attractive to foreign media investors. Beyond the existing ban on foreign ownership, in April 2007 the Ministry of Information and Communication issued a 25-page decree demanding that all advertisements must be produced by local companies. Severe restrictions have been imposed on the use of foreign talent as well. These measures - along with the US\$106 million court order against **Time Inc.** for its reporting in *Time* magazine about the former dictator President Suharto - make Indonesia less than compelling for international magazine publishers.

<b>SINGAPORE</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in million Sing\$ and at current prices)
	2006	<b>26.0%</b>	121
	2007	<b>6.6%</b>	129
	2008	<b>4.7%</b>	135

While housing prices rose, triggered by a sales tax increase, **Singapore's** consumer prices were up by 2.6% last July - the biggest leap in 12 years. However, the luxury segment benefitted from the boom and it is believed this is spreading to magazines. In its *Worldwide Media and Marketing Forecasts*, **GroupM** predicts magazine advertising spending in Singapore will grow by 10.1% in 2008, following the 7.3% forecast in 2007.

<b>MALAYSIA</b>		<b>Growth over previous year</b>	<b>Magazine Advertising</b> (in million Ringgit and at current prices)
	2006	<b>-2.5%</b>	156
	2007	<b>1.3%</b>	159
	2008	<b>2.5%</b>	164

With just a 2.9% share of a very small advertising market, **Malaysia** finds it a challenge to develop a real magazine industry. The country remains the smallest market in the region, along with the **Philippines** and **Vietnam**, with annual magazine advertising spending below US\$50 million.

## Magazine Developments in the Asia-Pacific region:



**Mondadori** will launch a local edition of its star performing up-market weekly fashion magazine, *GRAZIA*, in **Australia**, **China** and **India** in 2008. The Chinese edition will be published in cooperation with **SEEC Media**. Due to appear in September, the Indian edition will be monthly and published under a licence agreement by the **Times of India** and the **British Broadcasting Corp**. The launch date and the frequency of the Chinese edition have not yet been finalised. The **Australian** edition of *GRAZIA* will be published under licence by **ACP**, as a weekly magazine, probably in March 2008.



In **Australia** also, **ACP** has acquired 50% of **Northern & Shell's** local subsidiary, publisher of the Australian edition of the weekly *OK! magazine*. Launched in 2004, the celebrity magazine is one of the most successful recent launches down-under with a circulation of about 150,000 copies a week.



In **China**, **The Reader's Digest** will launch a local edition in January 2008, under a copyright co-operation agreement with **Shanghai Puzhi Magazine Company** - a subsidiary of the **Shanghai Press and Periodical Development Company**, which holds the licence for the magazine in China. The Chinese name for the magazine will be *Puzhi* - which translates to '*Universal Knowledge*' - and the cover price will be RMB12 (€1.10). *Puzhi Reader's Digest* will be the 51st edition of *Reader's Digest* globally. Also in **China**, **Trends Group** launched a local edition of the *Robb Report* in November.



In **India**, **Time Inc.** has concluded two licence agreements with different partners to launch *People* and *Fortune* in 2008. The local edition of *People* will be published by the **Outlook Group**, a magazine publisher based in New Delhi. Following an "in-principle agreement", *Fortune* will be published by **Ananda Bazar Patrika Pvt** - a division of Eastern India's powerful **ABP Group**, publisher of the *Daily Telegraph* and *Business World*, the leading weekly business magazine in India with a circulation of 135,000. *Fortune India* is expected to appear monthly.



The first issue of *Vogue India* sold about 50,000 of the 55,000 copies distributed nationally last September. With a cover price of 100 Rupees (€1.70), the magazine published by **Condé Nast's** wholly-owned subsidiary carried a total of 396 pages. In March, **Condé Nast** also launched *Self* in **China** in cooperation with **China Women's Press**. The first issue carried 92 advertising pages out of 350 pages and had to be reprinted a second time.

Also in **India**, *FHM* was launched in October by **Next Gen Publishing** - a company owned by **Forbes**, **HDFC** and **Emap**, which recently acquired 41% of the company. This is the 31st edition of the beer and babes lad's magazine.





In **China**, *Autocar* was launched in September 2007 by **SEEC Media** under a licensing agreement with **Haymarket Media Group**. The **British** publisher's automotive title is a sister publication to the existing *China Auto Pictorial*. Separately, **Haymarket Media Group** launched *Campaign India* magazine last September. Published by the British media group's wholly-owned subsidiary in Mumbai, **Haymarket Media (India) Pvt Ltd**. The marketing, advertising and media title appears every other Friday with an initial controlled circulation of 7,000 copies, growing to 10,000 by the end of 2008. The circulation will be audited by the BPA.



In **Australia**, the 180-page first issue of *Woman's Health* was launched by **Pacific Magazines** in October. The magazine, published under licence from **Rodale**, distributed 100,000 copies and received a substantial television promotional support from **Channel Seven, Pacific Magazines'** sister company. Last March, **Rodale** launched *Prevention* in **India** through a licensing agreement with **India Today**. With a cover price of 50 Rupees (€0.85), the initial print order was 50,000 copies.



**Time Out** has launched a local edition in **Singapore, Delhi and Sydney**. Starting last February, *Time Out Singapore* was launched by in-flight publisher, **Ink Publishing**, initially as a monthly magazine with a cover price of Sin\$3.95 (€1.85). Then in April, *Time Out Delhi* was launched as a fortnightly edition by **Paprika Media Private Ltd.**, with a 30 Rupees (€0.50) cover price. Finally in October, *Time Out Sydney* was launched as a weekly magazine by a new publisher on the market, **Print & Digital Publishing**, with a cover price of A\$1.95 (€1.20), an initial print order of 35,000 copies and 16 pages of advertising.



In the **Philippines**, **Summit Publishing Company** launched a local edition of *Town & Country* in September, under a licence agreement with **Hearst Magazine International**. With a cover price of 150 PHP (€2.35), this is the fourth **Hearst** magazine to be released by the country's leading magazine publisher. In **Japan**, **International Luxury Media Co.** launched the local editions of *Town & Country* and *Rolling Stone*, both under licence agreements.





In **Thailand**, a local edition of *In Style* was launched in May by **Amarin Printing & Publishing** under a licence agreement with **Time Inc.** The two partners had previously published the Thai edition of *Parenting* magazine. The 272-page monthly *In Style* Thailand's first issue contained 100 pages of advertising. Also in **Thailand**, *Business Week* was launched last August under a licence agreement between **McGraw-Hill** and **Bangkokstation Network**. The Thai language edition is published monthly with a cover price of 175 Baht (€3.80) and an initial print run of 30,000.



In **India**, a local edition of *HELLO!* was launched last March by **Worldwide Media**, a company owned equally by **BBC Worldwide** and **The Times Group**. The glossy celebrity monthly magazine had an initial print-run of 50,000. The same month, *HELLO!* was also launched in **Malaysia** under a licence agreement with **Hot Potato Publishing**. The initial print order was 25,000 copies. In **India**, **Meredith Corporation** has launched a local edition of *Better Homes & Gardens* under a licensing agreement with **Media Transasia**.

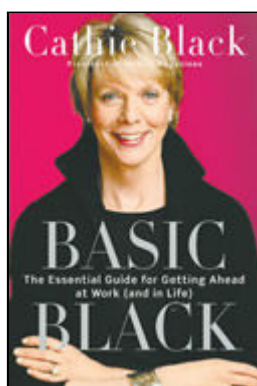


### And the most tragic launch:

The first issue of the trendy young women's magazine called *NOW!* went on sale on September 28th. The 54-page magazine featured Nicole Kidman on the cover revealing "My Secret Engagement". A good promotion with radio and billboard supported the launch. Unfortunately, the city was Rangoon. The next day 1,000 Buddhist monks demonstrated in the streets before the military regime started the most brutal and tragic slaughter of civilians in the history of **Burma**. The magazine never had a second issue.



## Two "must-read" books from two magazine tycoons:



**BASIC BLACK: The Essential Guide for Getting Ahead at Work (and in Life)** – 290 pages – published by **Crown Business, New York** – Cathie Black, President of **Hearst Magazines**, not only presents a complete review of a brilliant career with rare insights into the magazine business, but delivers a series of tips and valuable advice which can be used immediately.

**LA PRESSE DANS LE SANG** – 184 pages – published by **Robert Laffont, Paris** – Gérald de Roquemaurel, former CEO of **Hachette Filipacchi Médias**, explains how the magazine world works with three essential values: passion, madness and intelligence.



## The bow-tie man who changed the magazine world

by Didier Guérin



### **La Presse Dans Le Sang**

Gérald de Roquemaurel  
Published by Robert Laffont, Paris

In less than 200 pages, the famous French publisher, always recognised by his impeccable bow-ties, tells of 35 years of magazine publishing in France and around the globe. After finishing his education from the most elite graduate school in Paris, Gérald de Roquemaurel escapes his destiny to join the French administration and becomes publisher of French *Playboy* at the age of 26. He will soon rise to become Daniel Filipacchi's right-hand man and expand a middle-sized local magazine company (with *Lui* and *Paris Match*) to a major international publishing giant with about 300 titles in 41 countries (from *ELLE* to *Woman's Day* and *Car and Driver*).

**La Presse Dans Le Sang** (The Press In My Blood) offers an inside view of the magazine industry from an executive who is a direct descendent of Louis Hachette, the founder of the magazine, book and distribution company. It also is an itinerary of passion to innovate and expand what is described by the author as "the best industry in the world."

A master at putting deals together (even when he had little capital), Gérald's strong drive and vision made him one of the greatest developers and influencers in the magazine industry over the last 30 years. From a world of international publishing which was dominated by licensing agreements with little involvement from the owner of the masthead, Gérald created a new model of expansion with joint-ventures around the world with *ELLE*, emphasising brand consistency and local editorial relevance.

The French development and the globalisation of the group managed by Gérald are supported by a wealth of ideas about media strategies, richly illustrated with inside stories:

"Magazines cannot be managed with a short term strategy. You must have an editorial vision and not a pure business plan driven direction" he writes.

However, Gérald remains modest about the financial success he created, along with the large personal wealth he generated for his two main shareholders: Daniel Filipacchi and Jean-Luc Lagardère. In 1983, *ELLE* was a slightly unprofitable, dusty fashion magazine published in one country. Today, the *ELLE* brand and its 35 editions around the world are worth several billion Euros. Without Gérald, this would not have happened.

But after the retirement of Daniel and the sudden death of Jean-Luc, Gérald found himself reporting to Jean-Luc's son, a young man whose inherited wealth had mostly been created by Gérald. And the irony of the story is that the young man thought he could become wealthier with a short-term strategy, with fewer staff, with cost-cutting and without Gérald. And even without the name **Hachette**, which was replaced by **Lagardère Active**.

Today, the author of *La Presse dans le Sang* is an investment banker who continues to build value and several large international media groups have come to him for advice. Gérald has not abandoned his passion for magazines and certainly not for Hachette. I was by his side in New York in 1979 after the demise of *Look*. As he was addressing the staff, he borrowed General McArthur's famous quote and said: "I shall return."

**Didier Guérin spent 14 years working closely with Gérald de Roquemaurel, who gave him the passion for magazine publishing**



Gérald de Roquemaurel (right) with Didier Guérin at the launch party of ELLE Australia in Sydney, in 1990

## Famous Quote:

***"You cannot really win the media race of the 21st century unless you find your way in Asia.***

***Winners without Asia will be half losers. "***

Roberto Briglia  
General Manager, Magazine Division  
**Arnoldo Mondadori Editore S.p.A**  
**Segrate – Italy**, November 15, 2007

