

UNIVERSITY OF WORCESTER

Technological change and innovation in consumer magazine publishing

a UK-based study

Howard Cox and Simon Mowatt
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Abstract

This paper presents the results of research undertaken between 2002 and 2004 into the impact of technological change on the UK consumer magazine industry. The findings highlight patterns of innovation, both in the range of products (most notably monthly magazine titles) and the structure of organisations and work practices, which have tended to elude much of the contemporary debate within the “cultural industries” approach adopted in the media studies discipline. Instead, our analysis makes use of insights from the innovation literature to highlight the impact of technological discontinuities on the capabilities of both incumbent firms and new entrants. It also highlights the important and growing role that is being played in innovation-led industries through the adoption of organisational practices that find their origins in the traditions of project-based firms.

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Introduction

Throughout the 1990s and the early years of the twenty-first century, consumer magazines have figured as one of the most dynamic and innovative sectors of the British economy (DTI, 2002). Between 1994 and 2003, for example, the number of consumer magazine titles available on the market grew from 2,112 to 3,229.¹ Consumers in the UK today are thus provided with an unprecedented range of magazine titles and formats spanning a wide array of consumer interests.² This proliferation of new magazine titles has been underpinned by technological changes generated as part of the digital revolution. The impact of these technologies, notably desk-top publishing (DTP) and electronic file transfer, in stimulating product innovation was successfully predicted by the cultural industries perspective.³ In this approach, growth in the number of new titles was viewed as an aspect of global concentration within the media industry as a whole, of which magazines were envisaged to play a subsidiary role. Product innovation, primarily in terms of product proliferation, was seen to provide a strategic counterpart to the traditional scale advantages that had operated within the industry since the late nineteenth century, enabling the leading national magazine publishers to extend their dominance into the international sphere.

The advantages of scale included the ability to employ large print runs to defray the costs of journalism and new product launches, further increased by cross-media exploitation, and consequently greater advertising revenues. The entry of large European publishing houses such as Gruner & Jahr and Bauer into the UK market in the mid-to-late 1980s was a

conspicuous example of these pressures operating to drive the internationalisation of media operations once government restrictions were removed. From this point, the weekly popular magazine market took on an increasingly pan-European character.⁴ The expansion of News Corporation from an Australian-based to a global media conglomerate was also founded on these pervasive features of the media sector,⁵ and a similar logic underpinned the purchase of IPC in 2000 by AOL-Time Warner, which integrated the UK's leading consumer magazine publisher into a world-wide media empire. Increasing global concentration therefore has appeared to be a general feature of media markets as a whole, including consumer magazines.⁶

The overall picture which has emerged within Britain's magazine industry since 1990, however, exhibits significant differences from this internationally-oriented view. The new digital technologies have not simply led to an increase in the range of titles through globalisation, but have in addition led to expansion in the firm density of the industry amongst UK-based publishers and have supported strategies of product innovation capable of exploitation by small and medium scale enterprises. Thus the growth of the consumer magazine industry in Britain since 1990 provides examples of a variety of strategic positions, rather than being the solely outcome of increased domination by large-scale players as predicted by exponents of the cultural industries approach.⁷ In addition it is clear that the change in the innovation process for magazines has been the outcome of not only technological but of concurrent organisational change. In particular, the establishment of flexible organisational models designed to enhance innovation have created a new class of companies competing with international media conglomerates. Indeed, larger firms have also been attempting to reconfigure internally on similar lines in order to strengthen their innovation systems. It has therefore become important to establish how and why, contrary to these earlier predictions, there are now more consumer magazine firms in the UK market

publishing a larger choice of titles than ever before, and to understand the interaction of technology, firm architecture and innovation.

Our paper proceeds as follows: after a brief examination of the study background we examine the process of technological change within the industry. Following this we examine the shift to from weekly to monthly magazine titles that has occurred as the result of changes in the underlying organisation of innovation in the industry. The paper then moves to place the organisational changes in the industry within the context of firm organisation, and in particular the concept of the project-based organisation. A review of new-firm entrant strategies follows, after which the changes to organisation and innovation within existing firms is examined. The role of the World-Wide Web (WWW) is briefly addressed before we conclude.

Background

For our study, we undertook an in-depth empirical investigation into the UK consumer magazine sector in order to understand the diverse strategies evident within this segment of the global media industry. The study involved a programme of 28 semi-structured interviews in three consumer sub-sectors representing fairly new or dynamic niches: men's lifestyle, mountain biking and computer gaming. These interviews were conducted mainly with magazine publishers (general managers) and editors, allied with supporting interviews drawn from primary distributors, wholesalers and retailers. In support of this interview-based research, we also undertook a census questionnaire survey of 246 firms in the magazine publishing sector based on the membership list of the Print Periodicals Association (PPA). A response rate of 23% by firm was obtained from a statistically representative sample⁸. The overall aim was to understand changes in the industry structure, working practices and, in

particular, processes of innovation that had resulted from the impact of digital technologies on magazine publishing.

Technological Change in the Magazine Publishing Industry

The explosion during the 1990s in the number, range and type of consumer magazines was facilitated by a combination of organizational and technological changes that have completely transformed the operations of magazine publishing firms. Back in the late 1970s, magazine publishing was a fairly stagnant industrial sector in the UK. Its leading players were wedded to the newspaper publishing industry, with its inflexible and often perverse working practices,⁹ whilst the impact of electronic text inputting remained in its infancy. The leading UK magazine publishing firm, IPC, had been created through a series of mergers and acquisitions in the late 1950s and early 1960s that were designed to rationalise production costs. The benefits of large scale and vertically integrated production provided the paper and printing group Reed International with the main rationale in its acquisition of IPC from Mirror Group newspapers in 1970.¹⁰ Along with IPC, the industry consisted of a handful of other medium-sized publishing firms and a group of small publishing enterprises that continued to roll out well-established titles to loyal groups of consumers, such as *The Lady*, with its single title *The Lady*, a small circulation woman's interest title.

Compared with the current situation, the extent of consumer-driven product innovation was extremely limited. Indeed, the very size of IPC lent itself to over-centralisation and bureaucratisation, which tended to stifle entrepreneurship and creativity. A large staff of in-house journalists was employed to produce copy for its titles, and with over 90% of magazines sold in Britain in the early 1980s being weekly publications¹¹ that were relatively unvarying in nature, it meant that editorial teams generally lacked innovative drive. With a

secure market position, the company generated an air of complacency that was exacerbated by organizational rigidities stemming from industrial relations practices that resisted change of any kind.¹² Within this situation existed a technological lock-in between essentially craft-based unions presiding over a physical-mechanical process of magazine origination. As Figure 1 shows, the production process prior to the adoption of Desk-Top Publishing (DTP) systems was a series of distinct processes. Under this regime magazine editors had little scope to significantly change the final look of a magazine, as layout, the integration of pictures, and in many case even pagination was undertaken outside of their control. The process of producing galleys (proofs) was time-consuming and meant that consumer magazines, an outcome of the complex integration of colour images, text and graphics, could not react quickly to late changes.

The advantages of large size dictated that the logic of industrial efficiency through cost minimisation and economies of scale remained the principal determinants of competitive success in magazine publishing up until the early 1980s. Cheap weekly mass circulation periodicals, containing relatively standardised content, represented the fundamental key to success in the industry because they offered the greatest audience to would-be advertisers.

The impact of technological change on magazine production since the late 1980s has been revolutionary and has had a fundamental impact on the organisation of both the magazine publishing firm and the industry. The technologies employed have changed fundamentally from those of the Industrial Age to those of the Information Age. In order to understand this transition two key features of this transition can be highlighted, first changes in the origination process, and second, changes in the relationship between publishing and printing

The first refers to the prevailing technology of magazine origination. With the advent of affordable DTP systems and suitable origination software such as Quark Express, the working

practices required to produce magazines were transformed. As Figure 1 shows the craft-based origination processes were effectively collapsed into an activity or series of activities that for the first time could be undertaken within the magazine editorial office. Once DTP systems absorbed pre-press activities typically undertaken by printing firms, such as final layout, this also changed the relationship between magazine origination and printing. The relatively low cost of DTP systems meant that computer technologies could be accessed on an equal basis by firms throughout the industry. Once these computer systems and software were in place they were as affordable to small firms as large firms – and new entrants had the advantage of having no legacy pre-press systems, or ties to now-obsolete repro houses or services.

Figure 1 here

New entrants to the industry were in many respects better placed to adopt computer-based systems, since working practices in the large publishers continued to operate under union-dominated practices. Within the magazine publishing industry in general however, resistance to adopting DTP systems within organizations by employees and from the associated labour unions such as the NGA, SOGAT and NUJ was not as entrenched as in the newspaper publishing industry. The more pragmatic magazine industry, where workers had long been struggling with the demands of colour, layout, integrated graphics and pictures unlike their cousins in the newspaper industry, was more receptive to new technologies. Therefore whilst IPC were quick to embrace the possibilities of DTP, introducing pilot studies at particular titles throughout the mid-1980s, it struggled to transform its internal work practices as easily as less bureaucratic firms such as EMAP and, from the 1990s onwards, new entrants.

The second key feature again concerned the relationship between publishing houses and printing firms. Desk-Top Publishing allowed firms to fully originate their own titles ready for printing, bypassing several intermediate stages of the traditional production process. Contemporary Computer-to-Plate (CTP) systems allowing a publisher to send a complete file to a printing machine at an external printer were prefigured by intermediate technological stages such as the creation of printing-film, but all of these systems acted to completely separate the process of origination from that of printing. At this time printers sought new business opportunities by opening themselves up to contract printing - something that unions had been able to resist until technological change - and firms traditionally linked to the newspaper industry, such as IPC, de-integrated their printing divisions. The externalisation of printing, concurrent with the marginalisation of the printing unions, was effectively complete by the 1990s and opened up the possibly for small scale, non-unionised contract printers to offer their services for titles requiring short print-runs. In the 1970s, IPC had held a unique source of competitive advantage in having access to a print-works able to cope with large runs of colour magazines¹³ but the gradual perfection of low cost fair quality printing using photolithography and web off-set printing made cheap magazine printing a reality for even small publishing enterprises once union restrictions were removed. This final point was crucial - DTP had allowed small enterprises to undertake the creation of magazines in outline, but changes in the printing industry now enabled them to print them economically.

By 2004, our survey showed that consumer magazines are now printed exclusively by external contract printers and access to presses is no longer a barrier to industry entry.¹⁴ Thus, the determinants of quality in the hands of the consumer – layout, style, design and content – finally came directly under the control of magazine editors. This control also spanned a larger geographic distance as contributors could collaborate and work remotely via e-mail and, latterly, the internet. Thus rather than the internalised workforce of IPC, the potential range of

actors who can input into the magazine editorial office is much less constrained by geography or the boundaries of the firm. The impact of this has taken time to filter through: in further separate studies into the impact of IT on magazine publishing Driver and Gillespie¹⁵ had found little evidence of the widespread shifts in working practice that we identify here. Our survey however reveals how recently the full transition has occurred (Table 1). The potential for externalising the services of both printers and journalists has been profound, facilitating a plethora of new opportunities but presenting, simultaneously, greater economic insecurity for those who have traditionally earned their livelihood in the industry.¹⁶

Table 1 here

The impact of these technological changes on the market position of IPC was profound. At the same time as the weekly market was undergoing a process of internationalisation led by publishing giants such as Bauer in the mid-1980s, the market for monthly magazines was being transformed by DTP technology which enabled even relatively small firms possessing quite low budgets to engage in the launch of new titles. Indeed, the dissemination of professional quality DTP systems, together with the changes in working practices within the printing industry, allowed new entrants to profitably launch a magazine title aimed at a relatively narrow interest group. Magazine firms such as Future and Dennis initially grew by writing about the very computers that they were using to originate magazines, and founded innovative new market sectors that the incumbents initially found hard to enter.

A particularly significant breakthrough was the successful launch of *The Face*, a magazine that identified a new market segment, which appealed to men's lifestyle as well as a female readership.¹⁷ *The Face* proved that with free market access to printing facilities a business run by a single entrepreneur (Nick Logan) was now able to break into the market for

relatively high quality magazines hitherto inaccessible to a small operator. The model was one whose full potential was realised with the arrival of DTP technology, and subsequent developments around the burgeoning consumer interest in computers and consumer lifestyle areas saw the successful establishment new British magazine houses. Rather than being an outcome of proliferation of weekly titles in established market niches, as predicted by the cultural industries perspective, the growth in new titles was to come from these new areas of consumer interest, and was focused predominantly in the monthly magazine market.

Growth in the Market for Monthly Magazines

The role of innovation in the market for monthly titles is important as it provides the key to unlocking the developments in the magazine industry since the mid-1980s. Part of the emphasis on scale advantages in the cultural industries perspective comes from the realisation that in order to pursue markets and respond to consumer demand, publishers will need to engage in product proliferation as an entry barrier. With a conventional Schumpeterian slant, the argument followed by Driver and Gillespie¹⁸ was that the cost of such innovation, and the subsequent necessary launch costs, could only be supported by large firms. In contrast, it is our contention that although global media firms have continued to capture scale benefits in the largely undifferentiated market for weekly magazines, it is the burgeoning market for limited circulation, special interest monthly titles where the process of innovation has become the true determinant of competitive success.

The growth in the volume of magazines sold in Britain since the mid-1980s has been concentrated in the market for high value-added monthly magazines, which had previously captured only a small share of total sales. Particularly significant was the rapid growth of special interest segments such as men's lifestyle magazines, an entirely new category of

magazine title, which between 1993 and 1999 achieved a tenfold increase in sales value¹⁹ reaching 52% of that generated by the established woman's monthly sector.²⁰ Driver and Gillespie²¹ reasoned that some small independent publisher such as Dennis Publishing could make a living in small market niches, but contended that "the larger publishers have significant cost and resource advantages over the smaller companies." Evidence at the time appeared to confirm this, as small, often single title companies - such as Gramophone plc producing the monthly *Gramophone* magazine - were only able to exist at the margins of the industry by satisfying the demands of a loyal group of consumers. Successful new innovations of this kind of title before 1980 were few and far between: indeed, during the nine years spanning 1966 and 1974, an investigation by the Price Commission²² noted that there were only 1,013 births and a total of 892 deaths of consumer magazines in Britain. In the 1990s, by contrast, the introduction of new titles was running at an average of 500 *per annum*.²³ In the 1990s many leading titles were produced by relatively small and new publishers. One Dennis title for example, *Maxim*, not only made a major impact in the UK on debut in 1995, but when launched in the USA in 1997 became the men's market leader with a circulation of over 2.5 million,²⁴ easily out-competing rival titles from the world's leading magazine publishers.

It is instructive to investigate these changes in organization and innovation by contrasting the operation and structure of the men's interest sector to that of the women's market. The woman's weekly market has seen the erosion of the dominant position of IPC since international firms entered the British market in the 1980s (two US-owned subsidiaries, namely National Magazines and Condé Nast, had already operated in the UK as essentially autonomous domestic firms for the most part of the century). Whereas in 1977, four IPC titles had accounted for 76% of the weekly women's interest market segment, by 2005 the six IPC titles accounted for only 34% of sales, as shown in Table 2. In 1977, only three other titles were included in this market segment, accounted for by two firms: DC Thomson and The

Lady. Currently, IPC's rivals number eight and they add another fourteen titles to IPC's six (Table 3). The most successful of the new entrants was the German-owned Bauer, whose three titles together accounted for 25.9% of the market, including the market leader *Take a Break*. Despite these incursions, long-standing magazine titles such as *Woman* and *Woman's Own* are still major fixtures of the sector.

Table 2 here

Table 3 here

Like women's weekly magazines, the market for women's monthlies is another well established sector, but one which has expanded tremendously in the number of new titles since 1977. Table 2 shows the extent to which IPC's position in the UK market has been eroded by competitors, who now provide a very wide range of alternative titles to IPC's sixteen. In relation to its firm structure, however, the sector remains relatively concentrated and its core segments of general interest and high fashion are dominated by global media players such as National Magazines, Condé Nast and EMAP. The modern monthly men's interest segment, in contrast, began to coalesce in the early 1980s around such titles as *The Face*, *i-D* and *Blitz*.²⁵ The independent 1980s 'style bible' *The Face* had demonstrated the potential for a male general readership of a similar kind to that of women's monthlies. Whilst *The Face* and later *Arena* (a development by the same individual publisher) appealed to both sexes, the sector truly found its identity in 1994 with the launch by IPC of *Loaded*. During the mid-1990s, firms such as IPC and EMAP - with *FHM* - emerged as market leaders of this new genre, but titles such as *Maxim* and *Front*, pioneered by relatively new companies Dennis and Cabal Communications, have also successfully established a strong presence in the sector.

Although it is now clearly possible to define a group of men's lifestyle interest magazines based upon the 'Lads' Mags' genre, the monthly men's interest sector as a whole is characterised by diversity and specialisation – from technology, through fashion, health and celebrity – representing the activities of a range of publishing firms. Extremely small new firms such as Freestyle, with *Boys Toys*, are able to secure a position in this market. In many respects, therefore, the monthly men's interest sector has tended to display a higher degree of permeability than its women's counterpart, providing an example of the way in which small publishers have been able to devise innovative products that compete directly with the titles produced by the established large media groups.

Recently, the large consumer publishers have attempted to exploit their financial power to launch new titles into the men's lifestyle sector – but now as weekly titles where scale and scope advantages are still a major factor generating competitive advantage. IPC have launched *Nuts* and EMAP *Zoo*, both of which incurred start-up costs of around £8m.²⁶ Notwithstanding the risk of cannibalising the sales performance of their own monthly titles, this attempt to restructure the men's lifestyle market is one that runs contrary to the prevailing trend for more specialised titles. Interestingly enough, despite having a combined monthly sales volume in excess of 500,000 copies, evidence suggests that these weekly magazines have tapped into a hitherto unsatisfied market and have served to expand the overall size of the men's lifestyle sector rather than significantly diminished sales of the monthly titles.²⁷

In order to support extensive product innovation of this type, both established firms and the plethora of emerging small specialised firms such as Freestyle, needed not only access to the new digital technologies, but flexible organisational forms. The next section examines the changes in organisation necessary to support consumer-driven magazine innovation and production.

Organization and Innovation

For the UK magazine industry, the exploitation of the new technologies and promotion of a more innovative culture required fundamental organizational changes to the way in which publishing firms operated. These organizational changes involve much greater use of interpersonal networks, such that even the largest entities in the magazine industry now exhibit many features associated with networked groups, or ‘virtual organizations’, rather than firms in the traditional sense.²⁸

In the discipline of organizational studies, attempts to grapple with this shift towards networked structures have focused on the concept of project-based organisations (PBO).²⁹ In such a scenario, the traditional notion of a firm pursuing consistent, long-term goals – such as production targets - is replaced or supplemented by the performance of a series of discrete tasks that depend for their success critically on the managerial co-ordination of project teams. Whilst such organizational forms have long constituted the fundamental characteristic of working procedures in industries such as construction and engineering, the project form has recently emerged as an important element across a wide range of more conventional consumer-driven industries like automobiles and textiles.³⁰ The modern magazine publishing industry would also seem to readily fall into such a category.³¹

Project-based companies embody cultures that are geared specifically to promoting innovation, creating and adapting new products and processes and going beyond notions of simply more flexible organizational arrangements such as outsourcing, contracting and cooperative alliances. By adopting project-based approaches firms in the specialised monthly consumer magazine sector have been able to forge relationships with their readers and grass-roots practitioners to offer a range of titles and services. Competitive success within this

strategy is driven by the quality of these networks of relationships far more than by traditional economies of scale.

The growing importance of the PBO as an organizational form stems directly from changes that have been brought about by the ICT revolution. Whereas traditionally, the manufacturing of consumer products under a regime of mass production would have been geared around producer-led commodity chains, such as those characterised by paper inputs and printing presses representative of IPC up to the 1990s, the more flexible production and information-gathering technologies of the Information Age have tended to facilitate customisation which, in turn, has empowered consumers.³² Product innovation has emerged as a key strategic weapon and has made consumer-responsiveness a crucial determinant of competitive advantage.³³ For monthly specialist magazines this is particularly relevant, as the strategy of close-consumer identification and feedback are those which provide value to the consumer. In this respect it has been small and medium-sized firms, operating independently but within the parameters of the network structures of the industry, that have grown in importance and have led to an increase in the firm density of magazine publishers. In short, whilst at the global level firm concentration has increased, in Britain the number of specialist firms competing in the magazine industry has clearly risen since the 1980s. In our research, it is the smaller firms who are often most adroitly using digital technology and flexible organisation in order to drive consumer-focussed innovation strategies.

In magazine publishing, it is evident that the creation of an individual magazine issue constitutes an example of a project-based type activity, and as a result certain network features have been a long-term feature of the industry's mode of operation.³⁴ However, in contrast to publishing, the physical process of printing magazines constitutes an industrial activity that, for most of the twentieth century, remained the decisive factor determining the operations and organization of the leading British magazine publishers. Until the 1980s,

industrial processes relating to printing tended to exert a greater influence over the firm conduct of magazine publishers than the editorial, consumer-oriented elements of the process. Despite its inherently project-based form, therefore, it was the entrenched logic relating to the industrial aspect of the magazine publishing industry's activities that determined its shape and key competitive strategies. Only with the emergence of desktop publishing (DTP) in the second half of the 1980s was the magazine publishing industry in Britain finally able to cast off the fetters of the Industrial Age and find its place among the nation's leading consumer-driven innovators.

Project-based forms of organization within the magazine industry have therefore come about on two fronts. First, it has been possible for small, dynamic new firms to enter the magazine market and compete effectively with large media conglomerates without suffering the disadvantages of being small-scale. Second, and largely overlooked in the literature, large incumbent firms have been able to exploit an internal project-orientation to reinvigorate the *innovation process* for new titles and services. In the next section we examine how technological change has enabled market entry by small independent firms, and identify how these firms operate, before turning to analyse the intra-firm reorganisations undertaken by established large firms.

New Entrants and Innovation Strategies

Compared with the period before 1980, entry into the modern consumer magazine market by new publishers is now relatively straightforward. People with expert knowledge of a special interest area can potentially take advantage of the low entry barriers in the industry to originate their own magazine titles and use contract printers for printing. The UK has a very established magazine distribution system, with multiple magazine outlets such as WHSmith

stocking a large number of titles in each store (usually with a list of over 2000) so it has been relatively simple to gain access to consumer points of sale.³⁵ Significant publishing houses such as Future (in 1985) and Paragon (1991) entered the market at the start of DTP era as one-title “out of the bedroom” productions. Many existing publishers and editors within large firms, who identified new opportunities, left to form their own start-ups. IPC, for example, was particularly irked when a former editor established *Front* as a rival to *Loaded*, and the publishing house Paragon was established by two former Future employees.

These small publishers formed in the first wave of digitization in the late 1980s and 1990s grew by identifying a market niche, and then finding experts to inform the company about these activities to develop a new title with minimal staff (or taking their personal network of contacts with them from their earlier employment). This process relies on contributions from external actors (contract journalists and experts commissioned for work) which has greatly increased the scope of the production system coordinated but not internalized by firms. The digitization of publishing has occurred simultaneously with the externalization not only of printing, but of journalism and copy-based tasks³⁶. For consumer-driven magazines it is vital that these informants, who may compose copy, send reports or act as technical advisors, journalists or editors, are authentically connected to consumer trends – which is one reason why a flexible external network rather than in house journalists is a feature of project-based magazine publishers.

Some examples help to illustrate the process of using networks to produce niche consumer titles. In our interviews, one of the independent publishers described the dynamics of consumer interaction and involvement for a surfing magazine. Surfers wrote the majority of the content on a contract basis, and the credibility of being informed by ‘real’ surfers enabled the magazine to appeal to readers, and is not something that can be substituted for. New titles came about through interaction with interest areas, generated through inter-

personal networks. For example, the publisher noticed that surfers were increasingly riding mountain bikes after surfing, and snowboarding in winter – at a time when these sports were less well-known in the UK. He was able to develop new informants from these sports and put together magazine teams from his technical network to satisfy these opportunities. The contributors themselves would form the initial readership and spread news of the title through their own contacts, rather than rely on large-scale advertising support. Grapevine advertising and direct involvement of this kind act to build-in loyalty, credibility, new informants and consumers. These external experts and actors can be coordinated cheaply and remotely by e-mail and internet-based communications technologies, something increasing apparent from the response to our questionnaire (see Table 4), and again this flexibility allows a far faster and wider contribution to magazines. One interesting aspect to this is that even though professional journalists often find employment more precarious under these prevailing conditions (as previously discussed) many other people are drawn into magazines as contributors in addition to their main activity. As in other network-driven industries³⁷ the supplier-base to consumer magazines has greatly expanded, even encompassing readers directly into the magazine.

Table 4 here

The above provides an example of bottom-up product innovation, but it is the form of the firm itself - as a project-based organisation - that represents the most significant innovation. A further example illustrates the changing flexible nature of the magazine publishing firm: a publisher-owner who had worked for a large magazine house as editor to a specialist sports title in the 1980s left the company in 1994 and founded his own rival title using his trusted expert contacts from both the sport itself and the publishing world. From this

he established several spin off titles, including one in the men's interest sector – competing head to head with international firms such as EMAP and IPC – with an organization of only 7 direct employees in total (contrast this with the staff of 56 at an IPC woman's weekly, *Woman's Realm*, in the later 1980s). From one title in the mid-1990s he had established a portfolio of 7 titles by 2002, having opened and closed 4 others. An exemplar of the project-based firm, his main activity is now looking for new niches – those far from the related areas of lifestyle and sport. His competitive advantage is speed in developing new titles, a low cost and low-risk process with current technology for specialist rather than weekly mass market titles. The publisher commented that “it is simple finding experts to develop your copy once you have found a market for a title.”

The technology underpinning this organizational flexibility has further allowed the international expansion of both small and large firms within specialist market areas. In an article titled “the medium if global, the content is not” Chyi and Sylvie³⁸ reviewed the geographic limitations to newspaper markets, even when presented online. However, many magazine firms are able to overcome the barriers inherent in cultural products and widen their scope through content and title licensing agreements, adapting overseas titles to the local market, and expanding their business by licensing their own titles. One typical title whose publisher we interviewed explained that per issue they would typically use 40% of a licensed US title, using their flexible networks to fill the rest of the magazine out. In addition, of the 40% retained, much of this would be rewritten or refocused, including “toning down” images and graphics that were “excessively American and don't relate to our readers”. Unlike other media products such as films and television programmes which have to be consumed ‘whole’, magazines are composites of information that allows for trade based on the differentiation and local adaptation of specialist content.

Intra-Firm Reorientation within Large Magazine Firms

For incumbent firms technological change has resulted in internal reconfiguration, especially in relation to innovation. This section reviews the process of this transformation, with reference to the UK's largest two magazine publishing firms, IPC and EMAP. With the advent of DTP systems many of the strategic benefits that large firms such as IPC enjoyed from their large size and vertically integrated structure evaporated in the market for specialised monthly magazines. Squeezed in the weekly market by the entrance of even larger European players into the UK, IPC for example could look for guidance to a domestic rival that had made significant progress by employing a more market-led strategy and employing some of the project-based innovation systems outlined in the previous section.

Founded in 1947 as the East Midland Allied Press, a regional newspaper conglomerate, EMAP began to produce consumer interest magazines in 1953 in order to utilise its spare printing capacity. Like IPC, EMAP implemented a low-cost, low-price strategy to produce weekly periodicals, but it did so on the basis of magazines that held limited rather than mass appeal. Although progress was rather slow – EMAP had developed only nine successful titles by 1972 – the experience did serve to demonstrate the potential that existed for niche titles (such as *Trout and Salmon*) under the correct conditions. When DTP technologies became married to this more consumer-driven approach growth was rapid: between 1977 and 2000 EMAP expanded the number of its titles from 11 to 136, compared with IPC's growth from 70 to 116. The bulk of EMAP's successful new title launches were concentrated in the 1990s and focused on monthly specialist titles that have provided the fulcrum for expansion in the industry as a whole during this period. As EMAP extended its magazine portfolio, the company deliberately developed an organizational structure that placed more emphasis on

decision-making at the level of the individual magazine title. It created a series of subsidiary companies, each with the scope to engage in innovation of new titles. Thus by the mid 1990s, EMAP's Consumer Division was composed of five separate areas: EMAP Metro (music and film), EMAP Elan (women's titles), EMAP Nationals/Images (cars, motorcycles and computer games), EMAP Publishing (sports and pets titles) and EMAP Apex/Choice (gardening, photography and trains).³⁹ This network-based structure undoubtedly enhanced EMAP's ability to engage in innovation of new titles through its detailed knowledge of consumer groupings.⁴⁰ Within specialist consumer areas the company acts as a repository of detailed consumer knowledge which it can exploit by identifying new market opportunities and then forming new product-teams. For EMAP, as part of a growing nationally-based media group, this strategy has also enabled them to innovate on this basis across media areas. Thus *Kerrang!* magazine is connected to *Kerrang!* TV, radio and events.

IPC too reorganized around consumer groups, and renamed itself IPC Media in 2000 in order to adopt a more project-orientated structure. The drive towards this has not only been from the top, but was facilitated by an increasing awareness of the role that publishers and editors play in the DTP-era industry. Whilst the opening up of the printing market enabled many editors to leave larger firms in order to create their own firms, it also enabled others to identify new opportunities and to then realise them within the company. Existing editors could draw on both their network of expert contacts in market areas order to create new titles and on their contacts within the firm to help with design and advertising. A typical story from a leading publisher detailed how he and his editor on a style magazine received a lot of feedback from readers concerning a feature on celebrity diets. The publisher was able to put together an informal team comprised from his personal networks within the company to develop a spin-off title to cater for this market at his own personal initiative. The costs of developing a pilot title or a spin-off edition to test the market are now much lower. In the last

few years large magazine publishers have begun to realize that they are repositories of expert knowledge that can be used not only to publish existing magazines but to see their activity as coordinators of networks that can be flexibly rearranged to generate new titles quickly in response to consumer trends. For organizations this had meant that reforming around consumer interest groups, and using an essentially project-based approach to spin off new titles and products, and is as much a reflection of the activity of magazine production teams as a change in strategic direction. In the monthly consumer sector the key strength of the large firm is that DTP has allowed editorial teams complete control over the key processes of the value-adding activities which provide quality to consumers – in terms of content (through expert contribution), layout and style. Supporting activities such as advertising sales can be centralized across brand-orientated consumer groups, rather than tied to a changing array of specialist titles.

Whilst small firms can use their flexibility to adapt licensed titles, large firms can develop their market expertise, brand recognition and contributor networks through licensing and international partnerships. EMAP's flagship men's lifestyle magazine, *FHM*, has been internationalised not by employing the muscle of economies of scale and printing as usual for weekly titles, but by local content differentiation via a myriad of different partner organizations spanning the full range of governance arrangements from fully-owned to strategic-alliances across 15 countries. In fact it would be fairer to say that the *FHM* brand has been internationalised.

Magazines and the World-Wide Web

Before concluding it is necessary to mention the impact of the internet on the consumer magazine sector. In discussions of the changing nature of magazine publishing much of the

current popular debate has concentrated on the anticipated shift to an electronic mode of delivery – an area where progress was surprisingly limited during the 1990s. Only very recently have electronic formats begun to play a truly significant role in determining the success of a magazine title, and even now use of websites is designed to complement rather than to supersede the traditional printed product.⁴¹ Publishers such as IPC and EMAP that invested heavily in web-based delivery in the late 1990s either significantly curtailed their venture in this direction or abandoned it altogether. As an interview respondent put it “where is the revenue coming from? The internet is important in supporting our core brand, and branded online services such as pay-per-view events rather than delivery of the magazine is the next strategy”.

The consumer interaction necessary for project-based, bottom-up innovation can also be mediated through online forums as illustrated by a recent example from the mountain biking sector. The magazine maintains an extremely active internet chat room and forum with hundreds of discussion threads generated by mountain bikers per week. The magazine’s editorial staff not only engage in the sport themselves, and observe reader’s activities directly, but also interact through the internet: 6 readers who had complained about the magazine online in a discussion were invited into the magazine company to work for a week, and write about their experience as an feature. This interaction is of a speed, quality and depth that allows firms to explore new niche markets and service, for example launching a new magazine to capture emerging trends in the sport and launch spin-off, single edition or special edition title, become involved in event management or sponsorship, and extend the brand throughout the consumers experience of their interest rather than by simply placed adverts. The full impact of the technologies of the internet has been made in the internal structure of firms and through the operation of their editorial and printing networks rather than through the replacement of the printed word.

Conclusion

Up until the 1980s, the process of magazine production was characterised by the close integration of the tasks of publishing and printing. Within this intimate relationship, it was the expediencies of the printing industry that in many respects dominated the rhythm of production. Printing schedules and demands cut across the creative process of editorial teams and to a large extent dictated the nature of the final product that the consumer received. Inflexibilities in the technology of printing itself, coupled with the restrictive working practices enforced by the printing unions, immensely reduced the potential for innovation. Publishing firms were effectively industrial organizations producing a relatively constant flow of standardised products. Innovation was infrequent, costly and producer-led. Employment practices were inflexible and bound by tight rules and within this organizational culture, editorial teams operated within extremely constrained parameters and used little creative input that drew on resources beyond those owned by the firm itself. Under these conditions, competitive success increasingly appeared to rely on producing an acceptable, familiar product that was relatively cheap and which consumers purchased almost out of force of habit rather than by conscious desire. However, the shift in working practices and new computer-based technologies of the 1980s served to completely alter this situation. By disintegrating the tasks involved in producing a magazine from those of printing the final product, the DTP revolution gave editorial teams much greater control over the type of product they could produce. With DTP in place, and coupled with the emergence of commercially oriented contract printers free from union controls, a number of small, lightly funded, project-orientated, consumer-driven start-up firms were able to produce magazine titles that attracted a narrowly-defined but often affluent audience. As a result, a group of firms including Future

and Dennis were able challenge the grip that IPC had exerted on the popular consumer magazine market during the preceding two decades.

A rapid rise in the number, range and type of publications occurred during the 1990s. Although competition in the weekly segment has remained price-focused, the sales of monthly publications became increasingly important and innovative. In addition, publications which could be characterised as short 'life-span' products began to emerge, whose rationale was based upon the need for consumers to enjoy and perhaps gain proficiency in transient technologies or were geared to the temporary cult of fashion and personalities. Magazines such as *Buffy the Vampire Slayer* were conceived at the outset as products that would carry limited appeal not only in terms of audience size but - in a way that was unprecedented - in relation to the life-span of the subject matter of the title itself. Direct consumer involvement of this kind harked back to the era of the New Journalism in which entrepreneurs of the late nineteenth century such as Alfred Harmsworth encouraged direct participation on behalf of his readers.⁴² During the twentieth century, however, such forms of consumer-driven innovation became less prevalent within the publishing industry, due largely to the operational rigidities surrounding the printing process, and was instead successfully employed by commercial radio.

For the conventional market leaders to recapture their influence in monthly markets, it became necessary for them to develop much sharper customer focus. Hence, during the 1990s, IPC re-engineered itself away from the earlier centralised, hierarchical structure, towards a more consumer-oriented approach in which editorial teams drew much more widely on sources of copy, editors became engaged in a variety of direct customer related activities such as themed events and exhibitions and developed the publication of market stretching spin-offs and special one-off editions. In short, change became a permanent feature of business operations in the industry. The purchase of IPC by AOL-Time Warner was not

driven merely by economies of scale, but was also an exercise designed to diffuse knowledge of consumer markets across the group and leverage competencies in innovation and brand-extension across media platforms. Whilst the benefits of the former are already apparent in the magazine industry, the latter have so far been more difficult to access. However, what is clear is that, independently of the considerations of ownership and economic indices of industrial concentration, it is the internal changes to the working practices and culture within IPC that has allowed a consumer-focus to emerge, which has acted to increase rather than limit consumer choice and quality.

Although this is an interesting development, the scale advantage of large media firms now comes from their portfolio of brands that exploit their key expertise in consumer areas based on the core magazine title. The ability to spin associated new magazines, radio programmes, TV stations and shows, events and services from this brand has been made possible by their project-based corporate architecture. Ultimately the ability to maintain links to and contact with consumer groups underpins these networks.

The cultural industries perspective correctly anticipated the actions of global media groups on mass-markets. However, in addition to the increasingly global undifferentiated and cost-led weekly market, a far more consumer-focussed market for magazines emerged. This sector was open not only to established firms, but was equally accessible to flexibly-orientated firms focussed on innovating new titles. In niche markets these firms are also able to internationalise the title effectively against the actions of large-scale media groups. Since the 1990s consumer-driven innovation has become the principal form of competitive advantage across a large segment of the industry. Whilst the cultural industries approach is still highly relevant in mass markets, within consumer-driven areas a more complex dynamic has emerged: one in which flexibility and knowledge of consumers is of higher importance than economies of scale. It is in satisfying this new driving force of competition that the

restructuring of magazine firms' organizational basis has occurred. New working practices, DTP technologies and consumer-driven, innovative, project-based network organizations and teams have given a new lease of life to the once moribund UK magazine publishing sector.

Far from stagnating the UK magazine publishing industry has emerged during the last decade or so as one of the British economy's leading sources of value-enhancing product innovation, providing media consumers with more quality, choice and locally relevant publications. Equally important are the implications for the economic analysis. It is no longer safe to assume, for example, that the simple firm structure of an industry can be taken as a guide to its competitive condition. Large firms may continue to exert a strong influence in certain respects but in the absence of fundamental restructuring they may be handicapped by their very size from responding to changing circumstances with appropriate speed – unless they are able to reconfigure their culture towards a project-based orientation. In markets where innovation is the key to competitive success new entrants and flexible network-orientated firms are able to compete effectively both in national and international niche markets.

Notes

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¹² Interview respondents with experience of this period stressed this as a particular factor inhibiting innovation, and reflect contemporary reports such as that of the Price Commission, (Price Commission, 'IPC Magazines Limited Increases in Cover Prices' (London, HMSO, 1978)) and the Royal Commission on the Press, *op. cit.*

¹³ Royal Commission on the Press, *op. cit.*

¹⁴ Authors' interview and survey data; Cox, Mowatt & Young, *op. cit.*

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¹⁷ K. Flett, 'Losing Face', *The Observer*, 20 March, 2004, p. 17.

¹⁸ Driver & Gillespie, *op. cit. Media, Culture and Society*, table 2.

¹⁹ Mintel, *Men's Magazines* (London, Mintel International Group, 2002).

²⁰ Mintel, *Women's Magazines* (London, Mintel International Group, 2002).

²¹ Driver & Gillespie, *op. cit. Media, Culture and Society*, p. 193

²² Price Commission, *op. cit.*, p. 10.

²³ Pira International, *op. cit.*, figure 8.7.

²⁴ ABC data, first half 2002.

²⁵ <http://www.magforum.com/mens1.htm>, available 02.04.06.

²⁶ D. Milno, 'IPC goes Nuts with lads mag launch', *The Guardian*, <http://business.guardian.co.uk/story/0,,1116692,00.html>, online at available 02.02.06.

²⁷ ABC Data, March 2006.

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³⁵ S. Mowatt, 'New Perspectives on the Supply-Chain and Consumer-Driven Innovation', *International Journal of Technology Management*, forthcoming 2006

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³⁷ Cox, Mowatt & Prevezer, *op. cit.*, for example, detail on the role of the final consumer in grocery retail networks.

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Figure 1: The changes in magazine origination and printing, pre- and post-DTP

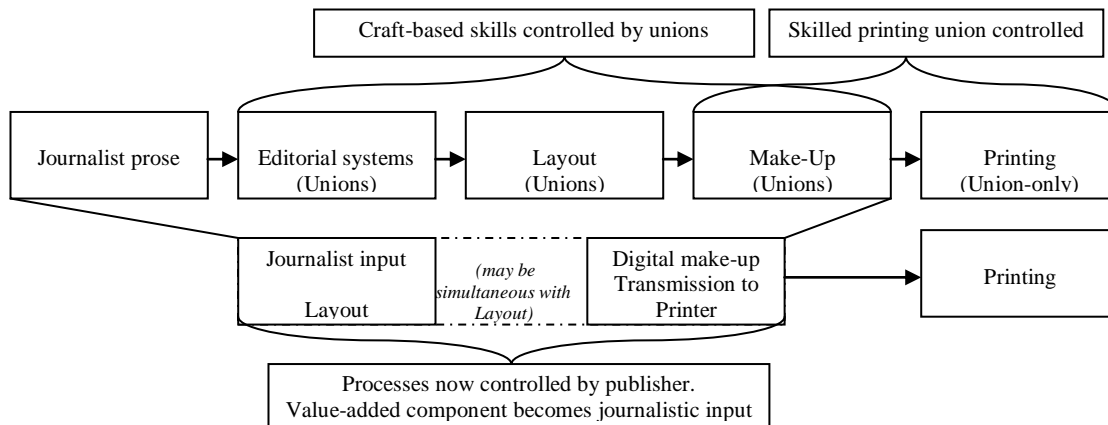


Table 1: How Publishing Firms Receive Copy from External and Contact Staff

<i>Method of Supply</i>	<i>Before 2000</i>	<i>By 2002</i>
Physically (e.g. Film by post/couriers)	40	31
By EDI or Integrated Network Linkages	9	43
Electronically through the Internet	4	23
Only Electronically	4	26
Total Respondents	44	57

Source: Authors' questionnaire

Table 2: Magazine Circulation by Market Segment and Publisher (Actively Purchased), 1977 and 2005 (UK and Irish Republic) (000's)

<i>Market Segment</i>	1977				2005			
	<i>IPC titles</i>	<i>Circulation</i>	<i>Non IPC</i>	<i>Circulation</i>	<i>IPC titles</i>	<i>Circulation</i>	<i>Non IPC</i>	<i>Circulation</i>
Women's Weeklies	4	5170	3	1625	6	2952	15	5837
General Interest	4	1143	5	985	10	923	39	2487
Younger Women	4	593	2	540	0		1	273
Teenage Women	7	705 *	2	823	1	64	11	1276
Housekeeping	1	na	3	1837	0		10	981
Slimming	1	na	1	354	0		4	697
Sewing, etc	1	101	2	131	0		4	174
High Fashion/Lifestyle	0		2	162	4	661	29	5264
Motherhood	1	76	2	na	1	50	4	202
Total Women's Monthlies	19		19		16		102	

* Circulation figure is for top five out of the seven listed titles only

na = not available

Sources: 1977, Price Commission (1978); 2005, ABC data, Sept 2005

Table 3: Sales and Market Share in the Market for Women's Weekly Magazines, 2005

<i>Title</i>	<i>Publisher</i>	<i>Sales per Title ('000)</i>	<i>Sales per Publisher ('000)</i>	<i>Market share per Publisher (%)</i>
Bella	Bauer	415		
Take a Break	Bauer	1208		
That's Life	Bauer	574	2197	25.9
My Weekly	DC Thomson	249		
Peoples Friend	DC Thomson	369	618	7.3
Closer	Emap	480		
Heat	Emap	540	1020	12.0
Woman's Way	Harmonia	29	29	0.3
Hello	Hello	361	361	4.3
Chat	IPC	606		
Now	IPC	580		
Woman	IPC	536		
Woman's Own	IPC	446		
Woman's Weekly	IPC	452	2620	30.9
Best	Nat Mags	405	405	4.8
New	Northern Shell	404		
OK	Northern Shell	554		
Star	Northern Shell	239	1197	14.1
The Lady	The Lady	39	39	0.5
Total		8486	8486	100.0

Source: ABC data, February 2006

Table 4: Sources of Magazine Feature Material

<i>Type of copy</i>	<i>In-house staff</i>	<i>Contract staff</i>	<i>Commission only</i>	<i>External Agency</i>	<i>Total Respondents</i>
Main features	47	23	23	3	54
Regular features	50	18	19	2	55
Ocassional/Specials	37	24	33	3	55

Source: Authors' questionnaire