Case 4: Major Magazine Publisher
Introduction

Problem Statement Narrative

Your client is a Major Magazine Publisher. Currently, they own a Women's magazine (similar to *Cosmopolitan*) and a Personal Finance magazine (similar to *Fortune*). They are considering launching a new magazine about Fine Living, targeted to Wealthy Males (similar to GQ). What is the market size, and should they do it?

Overview for interviewer

This is a straightforward case, covering Profitability, Go/No Go Investments and Market Sizing. Information will likely be given at the beginning of the case, and then more throughout the case, as calculations are made.

Information to be given with handout

Is there a goal that the company is trying to reach with the launch of the new magazine?
  Yes, the company would like to hit $10M in annual revenue.
Does the company have the resources to launch a new magazine?
  Yes.
Is the new magazine offered only in print, or online as well?
  It will be offered only in print.
In what ways can the magazine be purchased?
  It is offered as a yearly subscription - 12 issues per year.
  It can also be bought retail - one issue at a time.
What is the target geography for the magazine?
  It will be offered in the U.S. only.
What are the costs of the magazine?
  Costs can be ignored in this analysis.

Case 4: Major Magazine Publisher
Market Size

Potential approach to solving the case

Q1. Market Size
Q2. Profitability
Q3. Recommendation (Risks and Other Considerations)

Q1: What is the market size (in people)?

Information to be given if asked:
300M people in the U.S.
50% Male → 150M males in the U.S.
Age demos split evenly (Age 0-20, 21-40, 41-60, 61-80)
Market research shows that 10% of Age 21-40 demographic is Wealthy, that 10% of Age 41-60 is Wealthy and that 5% of Age 61-80 is Wealthy
People under 20 are too young for the magazine

Calculations:

Can be split evenly by age group:

- Age 0-20: 25% → 150M(25%) = 37.5M
- Age 21-40: 25% → 150M(25%) = 37.5M
- Age 41-60: 25% → 150M(25%) = 37.5M
- Age 61-80: 25% → 150M(25%) = 37.5M

Can be broken down further by target demographic

- Age 21-40: Assume that 10% are Wealthy → 37.5M(10%) = 3.75M
- Age 41-60: Assume that 10% are Wealthy → 37.5M(10%) = 3.75M
- Age 61-80: Assume that 5% are Wealthy → 37.5M(5%) = 1.875M

Total market size = 3.75M + 3.75M + 1.875M = 9.375M people, or rounded to 9.4M people

Case 4: Major Magazine Publisher
Profitability

Potential approach to solving the case

Q1. Market Size
Q2. Profitability
Q3. Recommendation (Risks and Other Considerations)

Q2: What is the market size (in $)?

Information to be given if asked:
There are two ways that the magazine can be purchased.
Subscription: 12 issues per year, $3 revenue/issue
Retail: Assume 4 issues per year, $5 revenue/issue
Assume that the market is split 50/50 subscription and retail.

Calculations:
9.4M(50%) = 4.7M subscribers, 4.7 retail customers
Subscription revenue = 4.7M(12 issues)($3) = $169.2M
Retail revenue = 4.7M(4 issues)($5) = $94M
Total market size = $169.2M+$94M = $263.2M

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Recommendation

Potential approach to solving the case

Q1. Market Size
Q2. Profitability
Q3. Recommendation (Risks and Other Considerations)

Q3: Should they do it?

Information to be given if asked:

Market is not growing
Competition is made up of:
GQ: 60% of the market
Other magazines/fragmented: 40%
Survey data shows that we can capture 5% of the market

Calculations:

Potential revenue for client = 5%($262.2M) = $13.16M

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Recommendation

Recommendation	The client should move forward with the launch of the new magazine. We expect to get $13.6M in revenue per year, which is higher than the stated goal of $10M per year.
Risks	Costs need to be less than $3.6M. Costs can include fixed cost for a new manufacturing plant, R&D for new topic, etc.. Need to consider cannibalization of Finance magazine revenues - may be targeting the same audience/have content overlap. Cost synergies for client may be able to be achieved by adding another magazine to the portfolio. Synergies may include manufacturing, marketing and distribution.