



PROPOSAL SHEETS





EMAIL

From: Sheila Stewart
To: <Final Year Trainees>
Date: 22 July 2015
Subject: Newbie Magazine Ltd

Dear team,

Randolph Stewart has been approached by lifestyle magazine 'Newbie' to consider three separate business proposals. The three proposals are as follows:

1. Push online presence as a 'shop window'
Build the online audience in order to drive subscriptions of the printed magazine.
2. Fully embrace the digital age
Make Newbie a digital publisher.
3. Enter a new magazine market
Launch a new title for the 11-14 demographic.

Actions:

I have attached the three proposals in more detail along with Newbie's own financial forecasts. I need you to investigate these forecasts to find out if they are credible, or if they're too optimistic or too conservative. I then need you to consider the benefits and drawbacks of each proposal and recommend the strongest option, taking into account the financial implications, the 'Newbie' brand, the risk involved and the organisational health of the company.

Newbie's board of directors believe they only have enough resources to focus on one of these opportunities so would like you to recommend which one they should pursue, along with any amendments you think should be made.

You'll be presenting these recommendations before the Newbie board at our upcoming meeting, so do ensure you are ready to clearly communicate your conclusions with clear reasoning behind your advice.

Many thanks,

Sheila



Task Instructions





PROPOSAL 1 - PUSH ONLINE PRESENCE AS A 'SHOP WINDOW'

Build the online audience in order to drive subscriptions of the printed magazine. A move away from retail sales to a larger percentage of subscriptions will enable Newbie to reduce costs and could solve the problem of wasted magazines in store. However, this will mean investment in web development and ongoing web presence, higher advertising costs in order to push new revenue and encourage customers to engage online and sign up.

Newbie's forecasts

We expect our retail circulation to decrease as we focus more on subscriptions, which naturally will increase rapidly by 15% each year. Consequently our advertising revenue will increase by 10% every year as companies recognise our improved reader loyalty.

Our postage costs per magazine should gradually decrease as we'll be sending more magazines in bulk each year and due to our subscriptions rise the need for printing excess copies for retail sales will also decrease.

Payments to wholesalers, retailers and distributors will likely decrease, we think by up to 20% in 2017 as our subscription model kicks in.



Proposal 1





PROPOSAL 1 - PUSH ONLINE PRESENCE AS A 'SHOP WINDOW'

Proposal 1: Profit and Loss				
Average monthly circulation	2014	2015	2016	2017
Retail	581,500	557,283	501,283	474,321
Cost per magazine (retail)	£2	£2	£2	£2
Subscriptions	95,000	112,394	121,248	135,294
Cost per magazine (subscriptions)	£1.50	£1.50	£2	£2
Total circulation	676,500	669,677	622,531	609,615
Average Monthly Revenue				
Retail Sales (circulation x cost per mag)	£1,163,000	£1,114,566	£1,002,566	£948,642
Subscription Sales (circulation x cost per mag)	£142,500	£168,591	£242,496	£270,588
Advertising (10p per mag)	£67,650	£66,968	£62,253	£60,962
Overall revenue	£1,373,150	£1,350,125	£1,307,315	£1,280,192
Average Monthly Costs				
Postage costs (subscription only)	£26,600	£31,470	£33,949	£37,882
Printing costs	£270,600	£267,871	£250,000	£250,000
Payment to wholesalers, retailers and distributors	£610,575	£585,147	£526,347	£498,037
Other costs				
Total average monthly costs of sales	£907,775	£884,488	£810,297	£785,919
Average monthly profit/loss	£465,375	£465,636	£497,019	£494,272
Annual profit/loss	£5,584,500	£5,587,637	£5,964,222	£5,931,266

All figures are rounded to the nearest pound, therefore annual profits should be given a £3 variance tolerance.



Proposal 1



PROPOSAL 2 - FULLY EMBRACE THE DIGITAL AGE

Move with technology making Newbie a digital publisher with its own digital identity, rather than simply replicating printed material online. Newbie is aware that in order to stay competitive it must make better use of the smartphone and tablet readership so integral to a teenage audience. What direction should this take? If the heart of the magazines moves to a digital space, will the audience be best served? Will the potential revenue from online advertising adequately replace the loss of retail sales and subscriptions?

Newbie's forecasts

The move to digital will, we think, reduce our retail circulation due to a higher focus on promoting electronic advertising sales. However our subscription circulation will increase as more people start to use electronic magazines and download titles on smartphones and tablets. We're confident advertising revenue will increase by 5% in 2015, 10% in 2016 and 15% in 2017.

With users subscribing digitally, we hope we can implement price rises without losing customer loyalty. We have budgeted £5000 extra for the development of the new website.

Advertising rates change to 12p in 2016 and 15p in 2017, to account for the growth in marketing revenue.



Proposal 2



PROPOSAL 2 - FULLY EMBRACE THE DIGITAL AGE

Proposal 2: Profit and Loss				
Average monthly circulation	2014	2015	2016	2017
Retail	581,500	551,395	524,804	485,271
Cost per magazine (retail)	£2	£2	£2	£2
Subscriptions	95,000	111,239	140,123	175,938
Cost per magazine (subscriptions)	£1.50	£1.50	£2	£2
Total circulation	676,500	662,634	664,927	661,209
Average Monthly Revenue				
Retail Sales (circulation x cost per mag)	£1,163,000	£1,102,790	£1,049,608	£970,542
Subscription Sales (circulation x cost per mag)	£142,500	£166,859	£280,246	£351,876
Advertising	£67,650	£66,263	£79,791	£99,181
Overall revenue	£1,373,150	£1,335,912	£1,409,645	£1,421,599
Average Monthly Costs				
Postage costs (subscription only)	£26,600	£31,147	£39,234	£49,263
Printing costs	£270,600	£265,054	£265,971	£264,484
Payment to wholesalers, retailers and distributors	£610,575	£578,965	£551,044	£509,535
Other costs		£5,000	£200	£200
Total average monthly costs of sales	£907,775	£880,165	£856,449	£823,481
Average monthly profit/loss	£465,375	£455,747	£553,196	£598,119
Annual profit/loss	£5,584,500	£5,468,960	£6,638,350	£7,177,423

All figures are rounded to the nearest pound, therefore annual profits should be given a £3 variance tolerance.





PROPOSAL 3 - ENTER A NEW MAGAZINE MARKET

Diversify into a new print market launching new magazines for younger teenagers. With the launch of many popular young audience magazines, entering into the 11-14 audience might be an exciting new venture.

Newbie's forecasts

Initially we hope our retail sales will dramatically increase as the new title launches, and we are optimistic that there would be a knock-on effect for Newbie subscriptions due to the extra exposure.

Advertising rates should stay the same in 2015, increase by 20% in 2016, and an additional 50% in 2017, as our new title grows.

We have factored in start-up costs for the new magazine title, around £80,000 a month in 2015, and £30,000 per month in 2016 and 2017.

Advertising rates change to 12p in 2016 and 15p in 2017, to account for the growth in marketing revenue.





PROPOSAL 3 - ENTER A NEW MAGAZINE MARKET

Proposal 3: Profit and Loss				
Average monthly circulation	2014	2015	2016	2017
Retail	581,500	663,283	743,182	834,273
Cost per magazine (retail)	£2	£2	£2	£2
Subscriptions	95,000	107,283	128,657	174,386
Cost per magazine (subscriptions)	£1.50	£1.50	£1.50	£1.50
Total circulation	676,500	770,566	871,839	1,008,659
Average Monthly Revenue				
Retail Sales (circulation x cost per mag)	£1,163,000	£1,326,566	£1,486,364	£1,668,546
Subscription Sales (circulation x cost per mag)	£142,500	£160,925	£192,986	£261,579
Advertising	£67,650	£77,057	£104,621	£151,299
Overall revenue	£1,373,150	£1,564,547	£1,783,970	£2,081,424
Average Monthly Costs				
Postage costs (subscription only)	£26,600	£30,039	£36,024	£48,828
Printing costs	£270,600	£308,226	£348,736	£403,464
Payment to wholesalers, retailers and distributors	£610,575	£696,447	£780,341	£875,987
Other costs		£80,000	£30,000	£30,000
Total average monthly costs of sales	£907,775	£1,114,713	£1,195,101	£1,358,278
Average monthly profit/loss	£465,375	£449,834	£588,870	£723,146
Annual profit/loss	£5,584,500	£5,398,012	£7,066,434	£8,677,746

All figures are rounded to the nearest pound, therefore annual profits should be given a £3 variance tolerance.

