

Advertising Survey & White Paper

produced jointly by
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ABA Division for Bar Services



NABE

Acknowledgments

The Advertising Survey and White Paper was developed cooperatively by the ABA Division for Bar Services and the NABE Communications Section in response to several months of advertising-related discussions on the NABECOMM listserv. It became clear that baseline data would be useful for communications staff in analyzing their own advertising revenue, publication expenses and in determining advertising policy. Many thanks to Chris Blake, Communications Director of the Connecticut Bar Association, and Sam Lipsman, Publisher & Editor at the Los Angeles County Bar Association, who volunteered to work on this project, and whose assistance in conceptualizing the focus, developing the survey instrument and analyzing the results was invaluable. Thanks, also, to the bar staff who took the time to respond to the survey.

Notes about the Methodology

The DBS/NABE Advertising Survey was a four-page instrument distributed by mail and via the NABECOMM listserv in May of 2001 to state and local bar associations with memberships of 300 or more. The division received and compiled results from 24 state bar associations and 20 local bar associations, 39% and 8% of the total state and local bar communities, respectively.

The survey had two parts, questions 1-19 which were publication-specific, and questions 20-34 which addressed bar association print and Internet advertising more generally. One note about data organization: publication circulation size rather than a state/metro/local designation was the criterium used to organize and subdivide survey responses. Therefore, small state bars may find themselves in the same category with metros. Readers will find the data available in three forms:

- 1) a summary of responses from all bar associations
- 2) a summary of responses organized by publication circulation size
 - summary of responses from bars with publication circulations of 1-4,999
 - summary of responses from bars with publication circulations of 5,000-14,999
 - summary of responses from bars with publication circulations of 15,000+
- 3) the full text of bar association responses
 - Questions 1-19 organized by publication type, circulation size
 - Questions 20-34 organized by circulation size (if a bar reported multiple publications, the largest circulation size is used)

In the summaries, please note that the percentages cited are approximate; because they are rounded to the nearest whole number, the figures occasionally may not total one hundred.

Introduction

During our first conference call back in the early spring, I asked Chris Blake and Sam Lipsman what they'd most like to know from other bar associations about advertising. I recall Sam's immediate response. "Have bar associations noticed recent fluctuations in their advertising revenues?" Sam had observed a strong 1999 and first half of 2000, but in the second half of 2000 his revenues faltered somewhat. He was curious if other bars had had similar experiences. Chris and Sam also wondered if we could make predictions about advertising revenues in 2001 and 2002.

Following that discussion, attendant issues arose. In particular, we discussed the profitability of association publications, and the desirability of establishing baseline data about ad pricing, ad policies, staffing and internal advertising procedures. We also discussed Internet advertising. Give or take a few, we agreed that many of the same questions we asked of advertising in print publications were applicable to advertising on bar association Web sites. The result of this and subsequent conversations was the DBS/NABE Advertising Survey to which twenty-four state and twenty local bars responded. This paper reviews the results of the survey in light of information about association publishing broadly and advertising trends in all business sectors.

The Respondents

The forty-four bar associations that responded to the survey provided data on a total of 62 publications. The publications fall into the following five categories: journals (16), magazines/periodicals (17), newsletters (16), newspapers/tabloids (9) and other (4). The four publications in the category defined as "other" are bar association directories. Fourteen bar associations provided data on two or more publications. State bars were more than twice as likely to report having multiple publications (42%) than their local bar counterparts (20%).

Print Publications – A Financial Overview

Profitability

According to ASAE's *Association Publishing Operations*, only about a quarter of association publication programs are budgeted as profit centers (the study also incorporates book publishing which this survey does not address). Close to half (45%) actually show a profit, 49% operate at a loss (spend more money than they generate), and 6% break even. The ASAE study suggests that the discrepancy between expectation of profit and actual generation of profit may have to do with whether or not overhead and staff labor costs are allocated to the publication.¹

Bar associations appear to rely even more heavily on subsidies, at least for the signature publications we are discussing here. According to the respondents of this survey, 88% of journals, 76% of magazines, 75% of newsletter and 63% of newspapers are budgeted to require funds outside of their

own budgets to sustain themselves. These funds may include, for example, bar association general revenue, grants or sponsorship monies. Only 5% of the total 62 publications for which we have data are budgeted to generate a profit. Fifteen percent are budgeted to break even.

Paralleling the ASAE study, bar publications appeared to fare slightly better in practice. In the last fiscal year, 18% of respondents' publications generated a profit and 23% broke even. A little more than half of all publications reported losses. All the same, of the ten publications that reported a profit, only 40% factored overhead and staff labor costs into overall expenses. Of the thirteen bars that reported breaking even, only 23% included these costs. It is likely, then, that even fewer bars actually generate a profit or break even.

Average expenses

Average expenses among all publications were highest for bar magazines and newspapers and sharply lower for bar journals and newsletters. Respondents reported average annual expenses of \$458,528 for magazines, \$445,323 for newspapers, \$174,585 for bar journals and \$224,618 for newsletters.

When publications are broken down by circulation size, the outlook changes somewhat. While magazines were most expensive overall, expenses were highest for journals among publications with the smallest circulations, and for newspapers among publications with the largest circulations. Among publications with circulations of 1-4,999, average expenses for journals were \$88,357. This was followed by magazines at \$55,500; newspapers at \$35,650; and newsletters at \$17,509. For publications with circulations of 5,000-14,999, magazine expenses were highest at \$241,876. Magazines were followed by journals at \$159,730, newspapers at \$127,500 and newsletters at \$10,200. Among publications with circulations of 15,000 or more, newspapers led the group with average annual expenses of \$736,321. Magazines followed at \$694,693. Journals and newsletters were considerably lower at \$278,639 and \$78,035, respectively.

Again, actual expenses may be higher for some publications because many bar associations do not include overhead or staff labor in publication expenses. Approximately half of magazines, journals and newspapers include these expenses in their budgets. Newsletters are much less likely to factor in these costs, with only 12% calculating overhead and 21% calculating staff labor into publication budgets.

Subscriptions

The value of subscriptions to bar association publishing programs varies. Some bars receive virtually no income, while others may generate as much as \$30,000 from subscriptions. Nonmember subscription prices are fairly consistent regardless of circulation size. The highest average annual

subscription price is \$61 for newspapers. For journals the average price is \$42, magazines are \$41 and newsletters are \$22.

Except for journals, publications with circulations of 1-4,999 have very few nonmember subscribers. The average number of nonmember subscribers to journals is 199, while for magazines the average is 38. For newsletters and newspapers, the average number of nonmember subscribers is 30 and 5, respectively.

Among publications with circulations of 5,000-14,999, the number of nonmember subscribers is more significant. Averages range from 184 for journals to 500 for newspapers. The numbers drop somewhat with publications circulating to 15,000 or more. For this largest circulation group, the average number of nonmember subscribers to magazines and newspapers is 331 and 253, respectively. For journals, the average number drops to 76 and for newsletters, 10.

Advertising – Print Publications

Advertising revenues

As it turns out, what Sam experienced in Los Angeles was part of an industry-wide slowdown. We know that the year 2000 was a very good year for advertising expenditures in the major media including television, newspapers, radio, magazines, billboards and the Internet. Magazine advertising, in particular, had total revenues of \$17.7 billion, a record year. However, the phenomenal growth came in the first three quarters, while revenues dropped in the fourth quarter and in the first quarter of 2001. After some initial optimism that the advertising economy would recover by the end of this year, experts are now modifying earlier predictions. A recent New York Times article asserted that, “the second half of 2001 will offer more of the same lugubrious mood that the first half did, as two leading forecasters are again reducing their estimates of advertising spending for the full year. Both are even predicting declines in ad spending in this country from 2000, which would be the first such drop in a decade.”² Merrill Lynch predicts that total US advertising spending will grow by a mere 2.5% – slower than the overall economy. Though the news is not particularly good for 2001, some industry experts are now expecting a turnaround in 2002.

We can observe the effect of the softening economy on bar associations in the survey responses, particularly among publications with larger circulations. In 2000, magazines and journals with circulations of 5,000-14,999 saw the greatest volatility with decreased advertising revenues of 21% and 18%, respectively. Bar staff anticipate figures to rebound slightly in 2001. Revenues are expected to increase 7% for journals, 2% for newspapers and 1% for magazines.

Publications with circulations of 15,000 and above also experienced declines in advertising revenue for 2000, but less dramatically. Ad revenue from magazines dropped 6% while revenue from newspapers decreased by 3%. Ad revenue from journals actually went up 2%, but is expected to decrease this year. All other categories are expected to see small gains in 2001.

Publications with the smallest circulations experienced the least volatility and saw relatively minimal fluctuations in ad revenue. Apart from a very small drop in newspaper ad revenue in 2000 and a miniscule decrease in anticipated journal ad revenue for 2001, very modest increases from year to year in each category were standard.

More optimistic reports suggest that the industry may at least stabilize in the third and fourth quarters of this year. A June 26th CyberAtlas article announced the results of a recent study conducted by Myers Reports that suggests corporate spending on advertising is turning around after a staggering 24% drop in media buyer confidence between December 2000 and March 2001. Myers interprets this as a sign that “media buyers have stabilized their budgets.”³ For the bar associations that responded to the survey, this also appears to be the case. While revenues may still be down from 1999 and early 2000 highs, most publications expect to report some – albeit small – gains as compared with last year’s overall revenue.

Advertising revenue sources

Where do the revenue streams come from? Advertising in small-circulation publications (predominantly local bar publications) come from primarily local sources – local vendors and lawyers – while legal publishers such as West Group and Lexis-Nexis have a much greater presence in publications with the largest circulations (nearly all from state bars). In publications with circulations between 1 and 4,999, approximately three-quarters of ad revenue among every publication type derived from the combination of local vendors and lawyers. Advertising from legal publishers and consumer ads made up the remaining 25% of revenues.

The sources of advertising revenue for publications with circulations of 5,000-14,999 are very similar, though legal publishers begin to occupy a more substantial place. According to respondents, legal publishers alone made up approximately a quarter of revenues in every publication type. In publications with the largest circulations, legal publishers accounted for as much as 59% of advertising revenues, while revenues from lawyers and local vendors fell closer to half. Revenue from consumer advertising was comparatively insignificant among the large-circulation publications.

Other Print Publishing/Advertising Standards

Advertising v. editorial

As is consistent with other association publications, bar associations reported that approximately two-thirds or more of the content of their publications consists of articles or other editorial content. Of all responding bar associations, the newspaper category had the highest average level of advertising content at 34%. The newsletter category had the least advertising with 27%. Magazines and journals fell at 33% and 29%, respectively.

Use of 4-color

As we might expect, the larger a publication's circulation, the more four-color process is used. Magazines lead other publication types in the use of four-color. Journals and newspapers follow, while newsletters utilize relatively little four-color process.

No publication with a circulation between 1 and 4,999 reported printing entirely in four-color, though half of magazines responded that either covers or selected portions of the publication are printed in four-color. Publications with circulations between 5,000 and 14,999 make somewhat greater use of four-color. Twenty percent of magazines in this group are fully four-color publications, and the other 80% use at least some four-color in their publications. Half of journals and newspapers use small portions of four-color in their publications.

Four-color process is used most fully in publications with circulations of 15,000 or more. Half of magazines and 20% of newspapers are fully four-color publications. Eighty percent of journals in this group use four-color on covers or in selected parts of the publication.

Average cost of full-page black and white

In order to track current ad pricing, the survey used the full-page black and white advertisement as the standard. According to respondents from publications with circulations between 1 and 4,999, the average cost for a full-page black and white advertisement in a newspaper/tabloid is \$645, in a magazine/periodical \$621, in a newsletter \$432 and in a journal \$355. For publications with circulations of 5,000-14,999, magazines charge \$834, journals \$533 and newspapers \$430.⁴ Newspapers with circulations of 15,000 and above charge the most, with full-page ads costing, on average, \$3,030. The average cost of ads in journals of that circulation size is \$1,987, while magazines are \$1,871.⁵

Rate increases

Nearly half of all respondents reported that they increase their advertising rates every two to three years. A total of 20% increase their advertising rates each year while 17% raise their advertising rates every four to five years. The average rate increase is 7%, and half of the respondents plan to increase

their advertising rates for fiscal year 2002. Half of the survey respondents post their rates cards on the bar's Web site.

Internal ads and bill-back procedures

Including advertisements in bar publications that promote the bar's own activities can be a very effective communications vehicle. Nearly all publications carry advertisements about the bar association's services or events. Only 12% of all journals and one directory never contain these ads. Only one bar association of the 44 that responded indicated that it has standards in place that governs internal ad use.

In order to accommodate internal marketing needs and not compromise advertising revenue, many publications choose to charge the bar entity generating the ad, though nearly all who do charge a discounted rate. Publications with larger circulations are much more likely to require payment for internal advertisements. Of the publications with circulations of 5,000-14,999, 17% of journals and 40% of magazines bill internally for these advertisements. Only two newspapers of this circulation size responded to the survey, but both have bill-back procedures in place. Many publications with circulations of 15,000 and above also bill internally. Twenty-five percent of both journals and magazines, and 40% of newspapers charge their own entities to run advertising. Less than a quarter of publications with circulations under 4,999 have inter-departmental bill-back procedures.

Foundation ads and billing procedures

Publications also provide a venue for the promotion of bar foundation activities and events. Newspapers and magazines were especially likely to promote foundation events. Newspapers reported that 89% run ads for foundation events. In addition, 80% of magazines, 50% of newsletters and 43% of journals include advertising on behalf of the bar foundation. Apart from newspapers – half of which charge the foundation to run promotional ads – most of the other publications print foundation ads at no charge. Only 14% of newsletters and journals and 8% of magazines charge foundations to run advertisements.

Advertising sales staffing and compensation

Who at the bar association is responsible for advertising sales? Except among the largest bars, editorial staff bears responsibility for sales in at least half the cases. A small percentage of bars (16% of bars with publication circulations of 1-4,999, and 8% of bars with publication circulations of 5,000-14,999) have a salesperson on staff to handle advertising. More frequently, sales are conducted by other association staff. In 16% of publications with circulations of 1-4,999 and 25% of publications with circulations of 5,000-14,999, bar associations incorporate advertising sales into the responsibilities of a communications director, a member services coordinator, an administrative

assistant, or executive director. The percentage of bars that outsource ad sales was fairly consistent regardless of publication circulation size. About a quarter of all bars take advantage of outside agencies or contract sales representatives.

Bars with publications that have circulations of 15,000 and above are much more likely to have a salesperson on staff responsible for advertising. In fact, 50% of respondents in this category do. Only about 25% of editorial staff handles ad sales, and outsourced services account for the other quarter. As we would expect in organizations with a greater division of labor, the locus for ad sales appears to be more fully with the communications department. None of the bars in this category indicated that other staff is responsible for ad sales.

With publications that have smaller circulations and where editorial and other bar association staff are responsible for most ad sales, more than two-thirds are compensated by salary alone. In larger bars where salespersons on staff are a more frequent presence, half receive compensation in the form of both commission and salary. Twenty-five percent are compensated through salary, and the remaining quarter is compensated by commission alone.

Internet Advertising

Internet advertising revenues

While Web site profitability is still an aspiration for bar associations, we wanted to find out how valuable Internet advertising has been and what its potential might be. The end of the Internet euphoria brought much speculation about the future of Internet advertising. In response to the mass dot-com closings and the slowdown in Internet ad sales in the past year – particularly banner ad sales – some experts have proclaimed that advertising on the Web is dead. However, Rob Norton, writing for eCompany, claims that “the reports of online advertising’s death aren’t just exaggerated: They’re stupendously wrong.”⁶ As we know, the sluggishness in online advertising is not happening in a vacuum. “It’s the leading, bleeding edge of a widespread meltdown in the entire advertising business,” according to Norton. Nevertheless, online advertising has grown from nearly nothing in 1994 to \$8.2 billion in 2000, and it is unlikely that it is going away.

A little less than half of responding bar associations now accept advertising on the bar association’s Web site. Online advertising revenue – especially among smaller organizations – has fluctuated wildly. Bar associations with publication circulations of 1-4,999 typically have fewer resources to devote to a sophisticated Web presence and have only begun to cultivate revenue from Internet ads more recently. Among bars with publication circulations of 1-4,999, average revenue for online advertising in 1999 was \$40. Revenue rose exponentially in 2000 to an average of \$3,250. These same bars anticipate a 77% drop in revenue for 2001.

Bars with publication circulations of 5,000-14,999 – slightly larger bars with more resources to devote to this arena – report continuing growth. In 2000, average revenue from Internet ads rose 192% to \$2,625, and will rise another 157% in 2001 to \$6,750, according to the respondents. Bar associations with publication circulations of 15,000 and above had average revenues of \$5,104 in 1999. In 2000, this revenue increased by 58% to \$8,052. It is expected to drop by 7% in 2001 to \$7,500.

The sources of Web advertising are similar to print. Lawyers and local vendors provide the majority of revenue for smaller bars, while legal publishers are the source of most of state bar revenues.

Rich LeFurgy, chairman of the Interactive Advertising Bureau (IAB), puts the current situation in perspective. “The Internet, as a vehicle for advertisers, is still in its infancy, a fact that most observers of the industry forget. As our base gets bigger and bigger, the days of double and triple digit growth are gone, as they would be for any industry that grew at the rate that the Internet did. While the overall economy has played its part in the slowdown, we would have stopped growing at the previous rates anyway. We’re a reality –based industry now, and in the long run that may be the most important thing for the industry’s long-term health.”⁷

Internet ad formats

What *will* continue to be debated is the form Internet advertising will take. According to the *Industry Standard Newsletter*, “the decline of the banner ad has been extensively documented – and frequently ignored.”⁸ However, Norton assures us that in a few years Internet advertising will look nothing like it does today. The banner ad, he explains, was created on the fly in 1994 by staff working for Wired magazine. “The banner was 468 by 60 pixels for instance, not as a result of a big design project, surveys or focus groups, but because that’s what worked with the primitive Mosaic browser people were using.” As click-through rates for conventional banner ads continue to fall and anxious advertisers press for assurances that computer users are noticing their ads, ad agencies innovate. Lately this innovation has resulted in more obtrusive strategies – pop-up windows and the like. According to Stuart Elliot of the New York Times listserve on Advertising, “Ads are getting cheesier as Web sites accept advertisers that perhaps would not have made the cut if the sources of ad dollars had not been thinned by the closings of so many dot-coms.”⁹

While there are many types of Internet ad formats (banners, classifieds, email, interstitials, and rich media, for example), when bar associations discuss Internet advertising they refer largely to banner ads. According to all respondents, the criteria most likely to be used in pricing an Internet ad – solely or in combination – are the length of time posted (55%), the size of the ad (50%), placement/location of the ad (15%). More infrequently, the amount of text (10%) the complexity

of the design (5%), and the number of visitors to the site (5%) were factors. Ten percent of bar associations reported having one price for their Internet ads.

As with advertising in print publications, most of the smallest bars handle Web advertising sales internally, according to respondents. Eighty percent of bars reported that the same person(s) is responsible for selling ads for the Web and for print publications. For a few bars, this has become the responsibility of the Webmaster. For bars with circulations of 5,000-14,999 and 15,000+, about a third of sales are handled externally by an agency or contract sales representative. All bars who handle sales internally reported that the same person(s) is responsible for both Web and print ads.

According to IAB, innovation in Internet advertising formats and models is having an impact, notably reflected in lower banner revenues. In the fourth quarter of 2000, banner ad revenues were already down to 40% of the quarter's online ad revenues (down from 46% in Q3 and 47% for the year) with sponsorships 31%, (28% for the year), classifieds 10%, (7% for the year), referrals 5% (4% for the year), interstitials 5% (4% for the year), email 4% (3% for the year), rich media 2%, (2% for the year) and keyword searches 2% (1% for the year).¹⁰

As advertisers' skepticism about the efficacy of banner ads rise, another vehicle – email advertising – is gaining ground. Email advertising – ads that show up as text and/or links within the body of an email – has traditionally been eschewed by membership organizations that have tried to transition members to the paper-free environment and do not want to alienate members with advertising. However, email advertising is currently one of the biggest growth areas, according to marketing specialists in the Aberdeen Group.¹¹ Aberdeen predicts a boom in email marketing through 2003. According to the group, email marketing revenues grew 270% between 1999 and 2000, growing from an estimated \$91.8 million to \$342.22 million. Rapid growth is expected through 2003 when the industry will top \$1 billion. Currently, only 6% of responding bar associations allow email advertising. Eleven percent of bars with publication circulations of 5,000-14,999, and 10% of bars with circulations of 15,000 or more allow email advertising.

If there is a finite amount of advertising revenue, will Web advertising ultimately draw monies away from print? This is not something we can know for certain, but what we do know is this was not the case in the late 90s. Strong economic growth nationwide meant that businesses allocated funds to print advertising, and found additional funds to spend on online ads. The year 2000 is a case in point; it was a record year for both online and traditional advertising. However, the economic downturn has intensified and we have entered a new economic climate. Companies have been

forced to make choices, and will likely be drawn to vehicles that are established and that have drawn business for them in the past.

Conclusion

The last 12 months have been a challenging time. While nonprofits are by no means unaffected by the economic downturn, bar associations ultimately have an advantageous position. As advertisers find it necessary to be more discriminating, they will continue to be attracted to bar associations' institutional stability. Nevertheless, it is clear that bar associations will need to be ever more attentive to the quality of their publications and to marketing them to potential advertisers as we wait for the economy to rebound.

Notes

¹ *Association Publishing Operations*. (Washington, DC: American Society of Association Executives, 1998), xiii.

² Stuart Elliott, "Advertising: Forecasts for Spending Become Even Gloomier," *New York Times* 29 June 2001, 11 July 2001 <<http://www.nytimes.com/2001/06/29/business/29ADCO.html>>.

³ "Confidence in Web, iTV ads Tops Broadcast, Magazines." *CyberAtlas* 26 June 2001, 9 July 2001 <http://cyberatlas.internet.com/markets/advertising/article/0,,5941_791781,00.html>.

⁴ No data is available for the "newsletter" and "other" category.

⁵ Again, no data is available for the "newsletter" category.

⁶ Rob Norton, "The Bright Future of Web Advertising," *Ecompany Now* June 2001, 11 June 2001 <<http://www.ecompany.com/articles/mag/print/0,1643,11620,00.html>>.

⁷ "Interactive Advertising Bureau reports \$8.2 billion online ad revenue in the United States for Year 2000, Fourth quarter totals \$2.2 billion; Gain over Q3 slows to 9 per cent." *Interactive Advertising Bureau* 23 April 2001, 9 July 2001 <<http://www.iab.net/news/content/revenue.html>>.

⁸ "Marketing the Muse – Ban the Banner?" *Industry Standard Newsletter* 26 June 2001, 9 July 2001 <<http://www.the-standard.com/opinion>>.

⁹ Stuart Elliott, "In Advertising: The Go-Gos," online posting, 25 June, 2001, New York Times listserve <nytdirect@nytimes.com>.

¹⁰ loc. cit., *Interactive Advertising Bureau*.

¹¹ "E-Mail Marketing to Take Off," *CyberAtlas* 25 June 2001, 9 July 2001 <http://cyberatlas.internet.com/markets/advertising/article/0,,5941_790521,00.html>.