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‘Managing global expansion of media products and brands: A case study of FHM’

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Abstract

By focusing on the case study of *FHM* – a magazine which currently sells in 30 editions across 5 continents - this paper explores the economics and main managerial challenges associated with global expansion of media products. The success of *FHM* demonstrates that, to calculate the full returns available from the brand image created by a magazine title, publishers will take into account not only opportunities for domestic and international exploitation of the magazine but also the potential to extend the brand across additional media platforms and additional complementary product markets. This study focuses on how global expansion of *FHM* has been managed.

Managing global expansion of media products and brands: A case study of *FHM*

Introduction

Globalization is a persistent theme these days and, in the context of media, it usually refers to the gradual erosion of boundaries that have surrounded national markets because of, for example, improved communication and transport infrastructures, changes in legislation, a more liberal trading environment, etc. Many and indeed most mass media products – newspapers, television channels, radio services – are still strongly orientated towards specific national and local markets. But globalisation has affected media as other industrial sectors and, for media firms, it is not just geographical market boundaries that have diminished over recent years but also, to some extent, the boundaries between different sorts of communications products and services have also become blurred because of converging technologies (Hoskins et al, 2004; Picard, 2002). The net result has been an intensification of competition. Ambitious media content suppliers are alert to expansion in the number of potential distributive outlets for their wares and have become more outward-looking in pursuit of opportunities for growth.

Broadly speaking, there are three possible ways that firms may become active participants or competitors in international markets (Cross, 2000). First, they can carry on producing goods at home and export them. This usually involves physical movement of goods across borders although, for media, it can take the form of cross-border transmissions or electronic distribution across borders via the Internet. Many broadcast services, for example, are receivable in neighbouring countries. Second, the firm may internationalise by setting up or acquiring operating subsidiaries in other territories. This option has been pursued with considerable vigour by many large media players over the last two decades (Albarran & Chan-Olmsted, 1998; Hollifield, 2004). Much valuable research work has been carried out within the field of media economics which examines firms' international growth strategies or analyses the principal motivations underlying concentrations of media ownership and the main economic advantages and disadvantages associated with corporate expansion (Albarran & Dimmick, 1996; Doyle, 2000; Picard, 1998; Kolo & Vogt, 2003; Sánchez-Tabernero & Carvajal, 2002). Or a third approach involves relocation of production activity to the foreign market where the product may be made locally by an independent company under some sort of contract-based agreement.

This article focuses on the latter approach – on exploitation of international and global markets by media players who license or franchise the production of a given property or brand to companies based in other territories. The central focus is *product* rather than firm expansion. These two are often closely related but internationalization is not always based around firms setting up or acquiring operating subsidiaries in other territories. Sometimes, market participation across a number of international territories can be achieved without major equity participation.

This research is based on a case study investigation of a magazine called *FHM*. The approach taken by *FHM's* parent company, UK-based media conglomerate EMAP

plc, follows the classic model whereby a successful core product – in this case, a magazine aimed at young men - is first of all developed in the home market. Then, having perfected the basis for a sustainable competitive market leader at home, a strategy of international expansion is embarked upon where the core product is introduced (with local adaptations as necessary) across a series of other countries. In securing an ever-widening international readership for *FHM*, EMAP has relied on licensing or franchising agreements with local publishers rather than setting up wholly-owned operating subsidiaries in other countries. This approach, while giving rise to a variety of managerial challenges, has proved extremely successful in building up a global market presence for this media product.

By focusing on *FHM* as a case study, the aim of this research is to provide an in-depth analysis of how media content suppliers may exploit the strength of products and brands that have made a ‘hit’ with their target constituency. It is important to note that full exploitation of the brand image created by a successful magazine title may involve not only international expansion but also the extension of the brand across additional media platforms (e.g. broadcasting or the Internet) and into complementary non-media product and service markets. These additional components which form part of the overall strategy for maximizing the available returns from any successful magazine brand (including, of course, *FHM*) are touched upon only briefly here. The main purpose is to examine the rationale and approach underlying the transformation of *FHM* into a global product by its owner, EMAP. Thus, this article adds to earlier work (e.g. Chan-Olmsted & Chang, 2003; Andrews, 2003) which focuses primarily on processes of media globalization and transnational expansion. By examining how *FHM* has been introduced (and, in many cases, has become the market leader) across numerous territories, the hope is that this exploratory study will help to answer calls for more research into ground level managerial aspects of international media expansion (Hollifield, 2004).

Magazine Publishing

The scale of *FHM*'s success to date may be exceptional but cross-border expansion, as a general strategy, is by no means unusual in magazine publishing (Cabell & Greehan, 2005: 9). The magazine industry, like film production, has traditionally been very much more international in focus than other sectors such as newspapers and radio and, indeed, has become ‘increasingly international in character’ in recent years (PPA, 2000: 88). A number of factors help to explain this trend (Hafstrand, 1995; Ostergaard, 1992; Weymouth & Lamizet, 1996) including the general absence of technical and other impediments to cross-border expansion. Content is not constrained by locality. Adaptation of editorial content at a local level to meet the demands of particular market environments is frequently a feasible option. For some magazines, especially those with strong emphasis on visual material, local editions and reprints in other languages can be generated without necessarily losing any of the title’s essential flavour or appeal. In short, magazines are free to target and cater for the interests of transnational constituencies of readers, and many do so very successfully.

European publishers have been prolific in developing titles that work well across borders. Media groups such as Axel Springer, Bonnier, Gruner + Jahr, Hachette

Filipacchi, and Ringier have deployed a variety of strategies in order to expand their magazine businesses into neighbouring European countries and well beyond. US publishers have also been active in developing titles where localized versions are published around the globe, such as *Cosmopolitan*, *Men's Health* and *Newsweek* (Cabell & Greehan, 2005).

The magazine publishing industry has flourished over recent decades and an important feature of its growth has been the trend towards increased segmentation of readership or increased sub-division of demand into ever-narrower specialisms (Doyle, 2002). In the UK for example, the number of magazine titles being published increased by 24 percent over the ten years to 2004.¹ The ability to target narrow specialist interest, lifestyle and professional groups is an obvious selling point for magazines with advertisers. In an increasingly fragmented audience environment (Napoli, 2001; Webster, 2005), the ability to offer convenient and cost-effective access to particular audiences sub-groups represents a clear strength for the magazine publishing sector.

Moreover, the emphasis on segmentation has important implications for how publishers approach exploitation of their commercial assets. Despite some exceptions, the vast majority of magazines have a limited life expectancy. So identifying and valuing the target market segment for a new title as accurately as possible is vital (Gasson, 1996).

A magazine's principle asset and core source of strength is its title or, more accurately, the brand associated with its title. Branding techniques have long been used in magazine publishing (Picard, 2002). Branding, which involves attributing an eye-catching name or logo to a product that helps distinguish it from rivals in highly competitive and dynamic market environments, enables producers to 'create awareness and build up customer loyalty to ensure repeat purchases' (Needle, 2000: 384). Consumer and business magazines put great effort into the creation of distinctive brand images 'which ensure that their readers continue to buy them every week or every month' (Gasson, 1996: 81). Often, the strength of a magazine's brand is sufficient to ensure that it will have some appeal for the same lifestyle group or niche in many different geographic (and different product) markets, albeit that some adaptation at the local level may be required.

Not surprisingly then, international expansion is a key element amongst the strategies available to magazine publishers in order to maximize the returns from their more successful brands. In addition, strong brands can be and are used to facilitate expansion across different media platforms. Indeed, some media publishing businesses are now explicitly structured as 'collections of cross-media brands' rather than according to activities (e.g. magazines or broadcasting) – an approach which underlines the centrality to the business of building successful titles or brands and then repackaging them to suit different technologies and audiences (Dowdy, 2005: 5).

The calculation of how best to exploit the returns available from selling a media product across different markets is in some ways akin to the concept, lucidly explained in earlier work by Owen and Wildman (1990), of 'windowing'. This describes the approach of maximizing the value of a media product by selling it not only through as many avenues or distributive outlets or 'windows' as possible but also in the pattern that yields the highest return. In windowing, what is being sold to different audience groups and at

different prices is usually an identical product (e.g. a television programme or a film). The strategy of exploiting a brand across different media platforms and geographic territories is, of course, unlike windowing in that the product being sold is *not* identical – adaptations are carried out as necessary to fit the medium and geographic market in question - and, also, the release of the product is not organized sequentially.

The creation of alternative versions of a core product for different audience groups is, however, closely reminiscent of a variety of other arrangements across the media industry - especially networking - whose underlying or core rationale is to create and then exploit synergies by sharing or re-purposing content. Because of the ‘public good’ characteristics of media content, it can be marketed or ‘sold’ to multiple different audiences (simultaneously, sequentially or both) without its value being impaired or diminished. The clear attraction of strategies based on sharing content across multiple products or services or delivery formats is that they reduce costs and give rise to economies of scale. Through the production of several slightly adapted local versions of a tried and tested magazine brand, the marginal costs associated with facilitating large increases in the readership base for that title can be kept low.

The challenges associated with exploitation of brands across numerous platforms and multiple territories are of increasing concern and relevance for media content creators in the 21st century. *FHM* has expanded into 30 editions and also the *FHM* ‘formula’ has been translated into a television channel, a website and content for mobile telephony. Not only does magazine publishing encourage geographic and cross-platform expansion but also diversification into related product markets where the relationship built up with audiences and advertisers (through the strength of the brand) can be even more fully exploited. Many publishers are involved in, for example, organization of exhibitions and databases where that target audience or consumer group is the same as for their magazine titles.

The main focus in this particular study is on international expansion which, whilst presenting obvious opportunities for enhancing the profitability of successful magazine titles, also poses its own special difficulties for publishers. Challenges may include not only sustaining a complex global network of business partners but also the difficulty of maintaining a close relationship with the magazine’s readership, a crucial imperative in ensuring the ongoing success and appeal of the title. Before looking at how cross-border expansion has been managed at *FHM*, the origins of the magazine and the revamping of the brand into a market leader are discussed briefly.

A brief history of *FHM*

In the early 1990s, the market for men’s magazines in the UK was dominated by three titles – *GQ*, *Arena* and *Esquire* – each selling less than 100,000 copies monthly. In 1994, a new title called *Loaded* (published by IPC) entered the market which, with a fresh and much more populist approach to content, effectively launched what is now known as the men’s lifestyle category. In the same year, EMAP plc acquired *FHM*.

Table 1: UK Men’s Market in 1994²

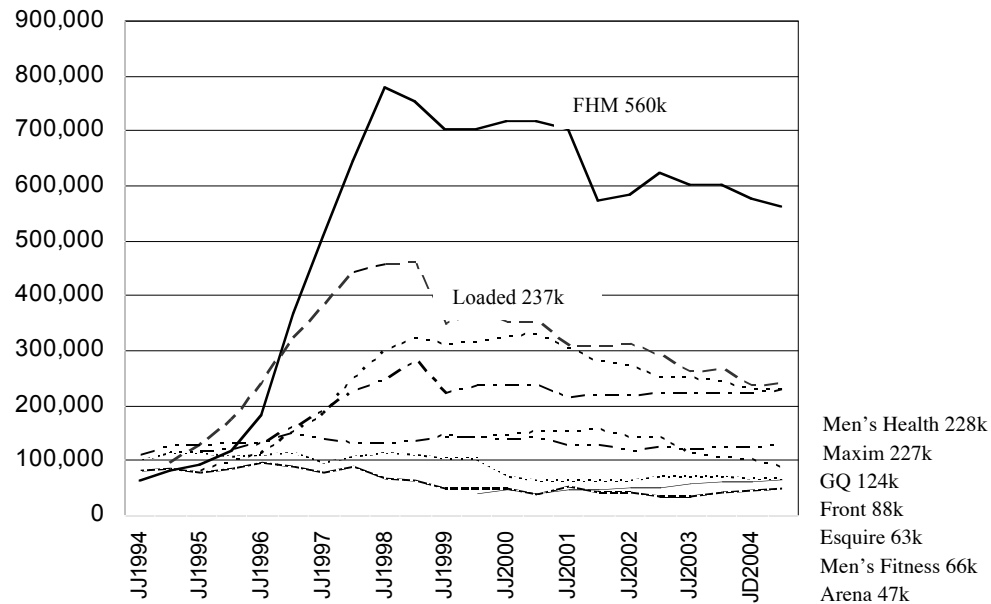
Average monthly Circulations (July-Dec)1994	
<i>GQ</i>	126,227
<i>Esquire</i>	110,583
<i>Loaded</i>	95,782
<i>Arena</i>	83,235
<i>FHM</i>	81,104
Total	496,931

The company – which started life as East Midlands Allied Press but is now a diversified media conglomerate listed on the London Stock Exchange – was already a well established player in the UK and international magazine industry when it acquired *FHM* in 1994. The *FHM* title (derived from its original name, *For Him Magazine*) which was strongly orientated towards the men’s fashion industry had launched in 1985 and was originally distributed free to customers in tailor’s shops. EMAP acquired the title with a view towards building a presence in the newly evolving men’s lifestyle market. At that stage, the collective circulations of all top-selling men’s magazines (see Table 1) paled into insignificance when compared with, for example, major titles in the women’s lifestyle category, but this situation was soon to be transformed.

Under EMAP’s ownership, *FHM* was rapidly re-shaped around a core set of values summed up by the formula: ‘sexy, funny, useful’. Like many of its rivals in the men’s lifestyle market, *FHM*’s main target is 18-34 year old men and content is focused around fashion, lifestyle and relationships. The aim is to reflect and engage with issues affecting the target readership in a language and with a sense of humour that particularly appeals to young men. Images of women feature prominently, along with entertaining features and advice (e.g. about lifestyles, gadgets, grooming etc) all delivered in a characteristically humorous way. One manifestation of the change in identity which helped *FHM* grow quickly was a change in emphasis away from front cover images of well-turned out males towards, instead, more upbeat images of celebrity female cover stars.

With editorial content closely guided by the core ‘sexy, funny, useful’ values, monthly sales of *FHM* increased more than ten-fold from some 60,000 in early 1994 to 775,000 in 1998 – see Figure 1. The magazine overtook *Loaded* to become UK market leader by 1996 and has remained significantly ahead of the field in terms of monthly UK copy sales ever since. The current circulation level of around 600,000 monthly copy sales, although lower than in 1998, is regarded as optimal since it maximizes profit margins earned from the UK edition of *FHM* (additional readership above this threshold tends to yield diminishing marginal advertising revenue).

Figure 1: Men’s Lifestyle Titles Copy Sales 1994 – 2005³



Global expansion

FHM's metamorphosis into the UK market leader took place against a background of major cultural and social change which contributed to dramatic growth within the men's lifestyle magazine category as a whole over the last 10 years, not only in the UK but also internationally (Crewe, 2003). During this period, many publishers have recognized and begun catering to an emergent appetite amongst young males for material addressing insecurities and interests traditionally associated with the women's lifestyle category - fashion, relationships, etc. *FHM*'s success in addressing this new market niche has also coincided with a period of rapid growth in cross-border magazine publishing, spurred on by 'the power of brands, the digitization of content and the demands of the advertising industry' (Cabell & Greehan, 2005).

Cross-border magazine publishing can take a variety of forms and, by the time *FHM* was ripe for international development, its parent company was no stranger to the opportunities and potential pitfalls involved in overseas expansion. EMAP has, over the years, acquired and built up various wholly owned overseas publishing businesses especially in France, Australia and the US as part of its core business. Indeed, thanks to an active international acquisition strategy in the 1990s, the company is currently the second largest magazine publisher in France. With *FHM* however, the method favoured for internationalisation has been licensing.

Licensing involves granting rights to a local partner in another territory to use the magazine brand and some or all of its content for a specific period of time in return for a specified fee (or royalty). Alternative means of exploiting a successful magazine format internationally include, for example, syndication of content in foreign magazines or

electronic media, joint venturing or establishment of wholly owned overseas subsidiaries (ibid). The approach preferred by EMAP of entering into licensing agreements reflects the relatively low risks and low costs associated with this particular strategy for globalizing a successful brand (Cross, 2000).

EMAP already had experience of licensing international versions of other consumer titles (e.g. in the teenage music category) when, in the late 1990s, it was approached by prospective partners first in Singapore and in Turkey who were interested in publishing local editions of *FHM*. According to International Managing Director Chris Llewellyn,⁴ the company was initially somewhat unsure as to how well this lifestyle brand might work in alternative cultural and national contexts. Nonetheless, encouraged by the enthusiasm of the prospective new partners, agreement was reached to publish local editions in these two countries. A small team of existing *FHM* personnel was drawn together from the magazine's London base to work alongside the new partners and this marked the starting point for what was soon to become an expanding network.

Starting in 1997, a whole series of international editions of the magazine was introduced – see Table 2. A small handful of these are published by wholly owned EMAP subsidiaries (i.e. the UK, French, USA and Australia) and the South African edition is published under a JV arrangement but most are published under license agreements.

Table 2: FHM International Network⁵

	Edition	Company	Status	Launch		
				Date	Circulation	
1	FHM UK	Emap	Market Leader	100%	1985	560
2	FHM Singapore	Mediacorp	Market Leader	License	1997	40
3	FHM Australia	Emap	Market Leader	100%	1998	140
4	FHM Turkey	Merkez Dergi	Market Leader	License	1998	30
5	FHM Malaysia	Mediacorp	Market Leader	License	1998	20
6	FHM France	Emap	Market Leader	100%	1999	180
7	FHM South Africa	Media 24	Market Leader	JV	1999	115
8	FHM Philippines	Summit	Market Leader	License	2000	130
9	FHM US	Emap	Market Leader	100%	2000	1,200
10	FHM Romania	Hearst Sanoma	Market Leader	License	2000	30
11	FHM Taiwan	CNI	Market Leader	License	2000	30
12	FHM Holland	TTG	Market Leader	License	2000	55
13	FHM Hungary	Hearst Sanoma	Market Leader	License	2000	50
14	FHM Germany	Egmont	Market Leader	License	2000	250
15	FHM Russia	Ova Press	Market Leader	License	2001	50
16	FHM Thailand	Siam Sport	Market Leader	License	2003	70
17	FHM Indonesia	MRA Group	Market Leader	License	2003	35
18	FHM Latvia	Lilita	Market Leader	License	2003	20
19	FHM Denmark	Benjamin/Bonnier	Market Leader	License	2003	40
20	FHM Mexico	Editorial Premiere	Market Leader	License	2003	70
21	FHM Spain	Focus Ediciones	Market Leader	License	2004	220
22	FHM Slovenia	Video Top	Market Leader	License	2004	5
23	FHM China	Trends	Market Leader	License	2004	80
24	FHM Norway	Bonnier Media	Market Leader	License	2004	60
25	FHM Estonia	I&L Publishing	Market Leader	License	2004	10

26	FHM Lithuania	I&L Publishing		License	2004	25
27	FHM Portugal	Edimpressa	Market Leader	License	2005	50
28	FHM Greece	Lambrakis	Market Leader	License	2005	50
29	FHM Sweden	Bonnier Media		License	2005	40
30	FHM Croatia	Video Top		License	2005	20
TOTAL						3,565

For EMAP, this means that few of the investment costs and risks associated with foreign asset ownership are present. According to Chris Llewellyn, electronic communications have made it ‘easier than ever before’ to convey a magazine’s content efficiently across a network of local publishers. With low recurrent costs involved for the licensor, high operating profit margins can be achieved and, at the same time, licensing has facilitated a rapid roll out of multiple versions of the magazine across the globe.

Chris Llewellyn explains that when he was first started to organize operating systems for cross-border publication of *FHM*, a helpful source of guidance and advice was, perhaps ironically, rival publishers such as Hearst and Hachette: ‘We’ll help talk about how to do things internationally because, frankly, it is worth it for us as [outbound] publishers to improve international publishing standards’. Thus, in contrast with national publishing which tends to be highly competitive, international publishing is characterized by a degree of cooperation and knowledge-sharing amongst major players who recognize that future development of this sector – the success needed to gain the confidence of international readers, partner publishers and advertisers alike - relies on fostering stable and well-functioning models and modes of practice.

The key operational issues which need to be organized include selection of appropriate partners, negotiation of contract terms, the creation of a detailed ‘brand book’ for the magazine and the establishment of systems for communication with and support of partners or licensees. Drawing on an old Mafia saying, Llewellyn reports that ‘once you’ve done your first it gets much easier!’

At EMAP, Llewellyn’s role involves overseeing the management of several titles which are published in numerous international editions. *FHM* is the largest such title with eight dedicated staff, including an international editor, business manager and a recently appointed advertising manager. This team’s function is to coordinate and service the network from *FHM*’s London base. Thus, strategy is set and direction is given from the centre, albeit that licensees retain a relatively high degree of operational autonomy.

EMAP’s approach demonstrates some of the features of an integrated worldwide strategy or what is conventionally referred to as a global strategy in that its expansion has been based on a standardized core product that requires minimal adaptation. In this case, the core product consists of the *FHM* brand plus the concept summed up by the ‘sexy, funny, useful’ formula plus the magazine’s content – its images and editorial text. Several points favour this sort of approach including greater similarity in lifestyles across the developed world and in what consumers in different countries want to buy – factors which have naturally fuelled processes of internationalization in the media (Chan-Olmsted, 2004). As evidenced by the rapidity with which *FHM* has become leader in

most markets where it has been launched, a successful core brand and concept can, with careful management, be translated and exploited across a range of cultures and languages.

On the other hand, a degree of sensitivity to local cultures, preferences and values has been exercised throughout the expansion process. To an extent, this can be seen as adhering to what is sometimes called a 'multi-domestic' strategic model (Yip, 2003:280).

Each licensee that forms part of the *FHM* network receives a publishing brand book containing a detailed explanation of the values associated with the magazine and setting out the ground rules for how an edition of *FHM* should look and feel. The brand book stresses the need for international consistency – not surprisingly, since the magazine's brand is a hugely valuable asset that requires protection and regular reinforcement. The brand book offers detailed advice on all aspects of production, presentation, format and layout. It also deals with content, detailing how to produce each of the regular sections, which subject areas are most appropriate for features and giving advice about how to achieve the correct tone or pitch for the magazine. For the purposes of international expansion, however, added to the core *FHM* formula of 'sexy, funny, useful' is an important additional component - relevancy. Licensees in overseas territories are expected and encouraged to apply the core values of the magazine in a way that is 'relevant' to the specific market being served.

Llewellyn explains that 'as the network matures, the local relevancy kicks in a bit harder'. Licensees tend to rely heavily on imported *FHM* content during their launch phase but then gradually move towards a situation where, typically, only one-third is directly lifted from the parent (mainly pictorial and graphics), a further one-third consists of *FHM* ideas for features or items that have been adapted for the local market and the remaining one-third is created afresh at the local level (e.g. features about local female celebrities or fashion events).

Knowledge of the local market is a crucial asset that the licensee brings to an international publishing partnership. For Llewellyn, this knowledge 'can range from understanding the black arts of distribution in the territory, or having strong advertising relationships, or access to talented people, or knowing the best printers and getting the right deal'. An understanding of local tastes and sensibilities is clearly one aspect of the licensee's knowledge. Despite growing international homogenization of consumer tastes and interests, '[m]any cultural factors vary sharply between overseas markets' (Walters, 1996: 363), not least what is considered 'sexy' or 'funny'. The need for these brand values to be translated in a way that sits comfortably with domestic tastes and avoids provoking local prejudices or treading on sensitivities is vital. For example, images that count as 'sexy' in the UK edition may well require adjustment to avoid falling foul of locally accepted standards elsewhere. Likewise, the sort of feature that a young male in the UK will find 'useful' might not be of interest for readers in Mexico or Malaysia and vice versa. As Yip has suggested, '[u]nderstanding which aspects of the product can be standardized and which should be customized is key' (2003: 285).

The role played by local editorial teams in adapting the *FHM* recipe to suit local market conditions is obviously important in contributing to the title's success across so many territories. At the same time, the structures and processes governing production of multiple international versions of *FHM* involve regular communication and

reinforcement with licensees of the magazine's core brand values. As Llewellyn explains: 'this recipe (sexy, funny and useful) is what we can take around the world and it's what, in particular, advertisers support – clear brands consistently delivered'.

Good working relationships between the licensor and licensee are essential. Thus, each company has to find the right sort of international partners to work with. According to Llewellyn:

'The ideal partner would bring complementary skills to mine. So I need a partner who understands their market, has scale or competitive advantages, particularly in selling advertising, obtaining optimum distribution and attracting creative talent, but also has a culture, a way of operating, similar to mine. This latter point is quite important. Having a big, powerful, partner clearly has advantages – they have the financial strength to do a proper and professional job and have the industry relationships to take significant amounts of risk out of a project. However, if there is a cultural difference in how the company operates, then this can be quite dangerous. (And by cultural difference I mean over and above those obvious differences of national culture – that's another chapter altogether). Take for example working with a partner who takes decisions either faster or slower than you do; or is more formal or informal than you are; or uses research differently (or not at all); or treats editorial and commercial staff differently to you. This all has implications for the day-to-day relationship between you and a partner. I have known, for example, companies who do not tell their editors what the circulation of a magazine is. This is unimaginable at EMAP so working with companies who are like this would be almost impossible...' ⁶

Scale (appropriate to that of the outbound publisher), professionalism and a corporate culture that is likely to be compatible with that of the brand owner are desirable attributes but, in addition and perhaps above all, a prospective publishing partner ought to fully understand the product in question and the factors that contribute to its editorial and business success. In Llewellyn's words, they must 'get it'. Prospective partners who want to work within the network need to have a sound grasp of the *FHM* concept and brand values associated with it. Ideally, they should also be enthusiastic about the opportunity to develop the magazine concept in their own market and have a clear sense of how best to adapt the 'sexy, funny, useful' formula to suit local circumstances.

Once the right partner has been identified, licensing terms need to be negotiated and agreed. Usually, the licensee pays a percentage of revenues earned from copy sales and advertising to the licensor but the exact amount varies from one deal to the next depending on such issues as the perceived power of the brand and what content and other resources are being supplied by the licensor to the local publisher (Cabell & Greehan, 2004). Some brand owners insist on minimum guaranteed annual payments right from the outset whereas others adopt agreements structured around what stage a new local edition is at. For example, as a means of underpinning investment in product quality and marketing during the high-risk launch phase for a new edition, a local partner in the *FHM* network may be charged a reduced fee rate during the first year. But then the percentage

of revenues payable to the licensor will gradually escalate and fall into line with standard parameters, typically by the third year of operation.

Besides finances, the other potential 'hot point' in license negotiations is, according to Llewellyn, control. The extent to which a licensor will seek to exert operational and editorial control may partly reflect its own organizational culture but it is also predicated around the need for protection of the brand. Thus, most license agreements will seek to clarify which standards and norms the licensee is obliged to adhere to in terms of design, layout etc.

The standard *FHM* license agreement contains not only stipulations about physical dimensions and format, production quality etc but also, to ensure adequate investment in raising the profile of the brand through each licensed edition, it spells out the minimum required level of expenditure on marketing (expressed as a percentage of net revenue). With regard to editorial content and presentational matters, licensees are expected to work in accordance with the guidance contained in the brand book and to consult with the *FHM* International Editor about any ideas for material that deviates substantially from this. Nonetheless, day-to-day control over editorial content rests largely in the hands of the editor-in-chief of each local version of the magazine.

According to Llewellyn, when disagreement arises it is most likely to be on issues where local publishers feel that their own decision-making is being restricted. For example, some licensees dislike restrictions over the minimum issue size for the magazine (which impact on costs) whereas, from the brand owner's point of view, a healthy size in terms of pages per issue might be regarded as integral to product quality. The impetus to control has to be weighed up against the possible dangers of under-utilising the licensee's local know-how. Successful working relationships are built around mutual trust and for this reason, as Llewellyn explains, the initial process of selecting partners justifies a very considerable investment of time and effort:

'If you have researched your partner well enough to begin with; if you've seen the quality of their work; if you've had references from other people who deal with them, there comes a point where we will trust them to do a good edition.'

The key assets that an international magazine licensor brings to a local publishing partner are, of course, the magazine brand and concept plus rights of access to editorial content.

However, the package on offer to a licensee can amount to something much more comprehensive. Akin to format franchising (Cross, 2000), the resources provided by the outbound publisher may well include guidance on managing the business, on marketing and – of particular value - information about how best to exploit the brand in question with advertisers. Indeed, the relationships build up between an international brand owner and advertisers represent another valuable asset.

At *FHM*, for example, a number of high profile international fashion advertisers with products aimed at young men advertise regularly in most if not all editions of the magazine. Advertising sales are not centralised – each *FHM* licensee is responsible for selling space in his own edition (albeit that an international advertising manager has recently been appointed to explore opportunities for incremental sales based on a coordinated approach). Even so, existing relationships with advertisers represent a

potentially lucrative source of business for all licensees. In order to help local partners capitalize on these, information about advertising sales by edition and issue of *FHM* is circulated on a quarterly basis from headquarters right across the network.

Regular input from the international brand owner to the licensee is important, not least during the development and launch phases for a new edition. This is certain to involve frequent interaction and may involve staff exchanges ahead of the launch date (Cabell & Greehan, 2004). Once a new partner joins the *FHM* network, the local editor and sometimes the designer will come to London and spend a period of time working with staff on the parent (UK) edition and learning intensively about how the magazine operates. Key staff from the London office may also visit the licensee company to advise on editorial matters, advertising sales, promotional plans and tactics or other aspects of the business.

Thus, in common with other experienced players in the field of international publishing such as Hachette Filipacchi (owner of *Elle*) or Dennis (owner of *Maxim*), EMAP pays considerable attention to the need for ongoing communication with licensees and to the provision of training for principal staff. Communication takes place in various forms. A monthly e-newsletter is sent to all *FHM* licensees that lists forthcoming items of content which are available and that flags up recent items which are approaching their expiry dates in terms of international rights to re-print. Most items within the parent edition are made available to all licensees at no charge and access to material carried in any other international edition (e.g. if France wants something from the Spanish edition) can also usually be organized at minimal cost.

In addition to the monthly e-newsletter, *FHM* licensees receive comprehensive intelligence about advertising and periodic reports about marketing and promotional strategies across the network. As well as this, the *FHM* brand book – a crucial resource and point of reference for all licensees – is updated regularly and re-circulated to local partners.

Conferences and editorial get-togethers are another platform for interaction between licensor and licensees. *FHM* runs a major conference every 18-24 months which is attended by key staff from every international edition. These create an opportunity to discuss issues affecting the brand and for licensees to share experiences and learn from each other. In between *FHM*'s major conferences, a number of smaller gatherings or editorial get-togethers are organized on a regional basis as a means of encouraging interaction and promoting 'best practice' across the network.

Regular communication helps to establish close working relationships. Even so, cross-border partnerships are, at least occasionally, liable to result in problems stemming from the distance involved and the need to negotiate across different national and business cultures or different operating environments (Cross, 2000).

At *FHM*, the process of overseas expansion which has taken place over the last eight years has thrown up a variety of challenges, for example, in relation to partner selection and contract negotiation. Llewellyn describes 'walking away' from deals on some occasions, despite protracted initial discussion, where trust, agreement or understanding cannot be reached. Even after careful selection and vetting of partners, and despite the framework created by the license agreement, the brand book, initial

training support and arrangements for regular and ongoing communication, it can take time for successful working relationships to develop. Licensees who appear to ‘get it’ may nonetheless fail to generate a product that conforms with the core *FHM* formula or that fails to convey some or all of its values. To avoid damage to the core brand, this kind of problem has to be corrected quickly.

Difficulties can arise where aspects of the brand identity become lost or confused in translation or, conversely, where adaptation is not sufficiently attuned to local tastes and sensibilities. In its first incarnation, the Singapore edition of *FHM* contained some material that, in a local context, was seen as offensive and this resulted in a ban after six issues. In order to re-shape the product to suit local market conditions, *FHM* worked closely with the Singaporean authorities (e.g. providing dummies for discussion and negotiation) and adaptation was successfully achieved in the end, albeit not without cost.

A number of factors may potentially disrupt or impede the performance of local publishers in producing satisfactory and successful local editions of a parent brand. Llewellyn explains that smaller partners can sometimes pose a risk in terms of their ability to manage the business, secure good distribution deals etc. On the other hand, larger and more experienced publishers may struggle to grasp and put into operation the specific brand concept of the magazine.

A high turnover amongst key staff at the licensee company may cause under-performance and is liable to place a strain on the relationship with the licensor. Llewellyn concedes that:

‘where we have found the going a little tougher it’s almost always been down to partnerships where there are relatively frequent management changes and therefore where relationships need to be rebuilt leading to time and opportunity being lost.’⁷

When things go wrong, a significant amount of managerial time and support from the licensor is usually needed to put things right. The sort of solutions that *FHM* has put into place include, for example, sending experienced personnel from the UK to help rectify editorial or business problems at a licensee company. Another solution may be to give the licensee a ‘holiday’ or temporary reprieve on payment of license fees in order to re-direct resources towards whatever happens to be problem area, for example, marketing or editorial or production. Problems encountered with, for instance, an individual version of *FHM* in South America and another in Central Europe have been overcome through a combination of support from the UK and through close work between the licensor and licensee on identifying and achieving necessary improvements with these editions. The experience accumulated by an international publisher over time is, according to Llewellyn, a valuable resource that licensees stand to reap the benefit of, not least in times of difficulty:

‘We’ve researched and launched [30] editions of *FHM* around the world. We have been through all the highs and lows that such experiences bring – ranging from what to do when a government imposes a ban, or a fatwah is declared against an Editor, or competitors who play hard-ball, or advertisers who don’t play at all. There really isn’t much that we haven’t seen. What this means is that

we can assist our partners when the going gets tough – you could say we supply the ‘performance drug’ of confidence.’⁸

Conclusions

The literature of international management is peppered with warnings about how cross-border partnerships and alliances can go wrong. However, the magazine publishing industry offers some powerful counter-examples. This research, focusing on *FHM*'s international expansion, highlights some of the factors which may account for the success of magazine brand owners such as Hachette Filipacchi, Hearst and EMAP in building and sustaining highly effective cross-border networks of publishing partners.

Between 1997 and 2005, *FHM* was extended into no fewer than 30 editions worldwide. One factor underlying its rapid accession to the status of a global brand is the appeal of the core product: *FHM*'s efficiency in catering to the tastes and interests of its target constituency (young males) is evidenced by its sales figures – see Figure 1. As discussed above, the emergence and rapid growth of ‘men’s lifestyle’ as a magazine category in the UK in the mid-1990s was initially led not by EMAP but by rival publisher IPC with a title called *Loaded*. Nonetheless, since EMAP acquired the title in 1994 and re-invented it around brand values summed up by the ‘sexy, funny, useful’ formula, a position of market leadership has been established which has so far proven unassailable.

Thus, conforming with textbook approaches towards building up a global market presence, EMAP first of all established and perfected its core product in the home market before then turning its attention towards overseas expansion. Despite initial uncertainties about well how the *FHM* formula would work in other countries (bearing in mind that conceptions of what is ‘sexy’, ‘funny’ or ‘useful’ are by no means universally shared), the magazine has in fact proven itself an ideal candidate for expansion. This is partly accounted for by the effectiveness of EMAP’s international partners in adapting the product for different local conditions and by the parent company’s consistent skill and success in managing these partnerships. It also reflects the fact that social and cultural changes which have generally spurred on demand for men’s lifestyle magazines over the last decade have impacted widely across international markets, creating a strong appetite for products of this sort.

The preferred approach towards internationalization of the *FHM* brand has been licensing – a low-risk strategy compared with many other forms of expansion. Licensing is acknowledged as the most popular route for internationalising a magazine brand and is used by many of EMAP’s competitors (Cabell & Greehan, 2004). This approach has facilitated a rapid roll-out of new editions of *FHM* whilst holding in check the cost to EMAP of overseas expansion. The magazine’s international headquarters currently employs only eight staff. With a small and tightly controlled central operating cost base, *FHM* International is a high margin business that delivers strong and consistent profits to the parent company. In financial terms, EMAP’s return on investment on international licenses has run at well over 100% in the three years to 2005-06. This far exceeds the (percentage) return even on very successful and high-profile new magazines launched by the Group such as *ZOO*, *Closer* and *Grazia*.

Licensing generally offers a range of benefits. For the local publisher, a chief advantage is that it shares the risks and costs associated with research and development of new products. The concept on offer from the licensor is tried-and-tested and with it comes a brand name that advertisers recognize and access to a valuable stream of content. The licensee may also receive from the international brand owner training on key aspects of the business and access to valuable managerial experience and know-how.

For the international publisher, licensing is attractive partly because of the relatively low investment risks and high margins involved. Another compelling advantage is that it helps ensure appropriate adaptation of the product for local markets. Working with a local licensee can sometimes assist with, for example, securing good deals with distributors and it may reduce some of the political risks associated with making strong inroads into a local market (Deresky, 2006).

Cross-border partnerships are not, however, entirely risk free. Difficulties created by cultural and language barriers or disagreement over how to share management processes or profits mean that many end up in failure or with takeover of one party by the other (ibid). Finding the right partners to work with in the first place is, according to Chris Llewellyn, an essential means of avoiding such problems. But this can be a slow and time-consuming process and the occasional mistake is inevitable. In one case, a licensee selected to publish an edition of *FHM* in an Eastern European country was unable to develop a product sufficiently suited to local tastes and preferences and the edition had to be closed down. Most of the *FHM*'s international partnerships have, however, been successful and this reflects care invested at the partner selection stage.

A disadvantage of the use of licensing agreements (as opposed to setting up wholly owned subsidiaries or entering into JVs) is that the brand owner enjoys less operational control – a situation which may expose the brand to risk. The example provided by *FHM* suggests two ways in which this risk can be managed. First, through measures to ensure that each licensee's comprehension of the magazine concept and core brand values is as complete and up-to-date as possible (i.e. a brand book, training, regular conferences, etc). Second, the framework of formal agreements and processes governing publication of local editions must be structured around promoting consistency of product quality and adherence with the core values of the parent brand.

This points towards another challenge familiar to international publishers - that of sustaining brand consistency while also encouraging local partners to take the initiative in translating the magazine concept to suit their own market circumstances. Other titles that have achieved positions of market leadership across several international territories (e.g. *Cosmopolitan*) have often done so thanks to successful local adaptation. At *FHM* International, new innovations are discussed and negotiated but working relationships are built around trust in the local editorial team to adapt the product correctly for their own market. As the partnership matures, the proportion of material within a local edition based on ideas originated by the licensee (rather than content from the parent edition) tends to increase. According to Llewellyn, local partners 'won't get every decision right but if they get it terribly wrong ... we can spot it and put resource into managing' and resolving any problem that has arisen.

Despite the challenges involved, the economic rationale favouring expansion of a successful magazine concept across international markets is highly compelling. As exemplified by *FHM*, an integrated strategy to globalize a magazine brand via a network of licensees can yield very significant operational advantages while capitalizing on major economies of scale. Successful international licensing will deliver a much higher profit margin than is available through 'normal' magazine publishing activities. And the greater ease with which content can be conveyed electronically across international networks plus growing demand for international advertising opportunities suggest that, in future, the impetus for publishers who have created 'hit' brands at home to think globally can only increase.

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¹ According to statistics collected by BRAD (British Rate and Data) and cited at the PPA (British Periodical Publishers website: www.ppa.co.uk).

² Table based on market data collated and made available by Chris Llewellyn of EMAP.

³ Graph based on market data collated and made available by Chris Llewellyn of EMAP.

⁴ Interviewed by the author on November 11, 2005.

⁵ Ibid, 2 above.

⁶ Citation from Chris Llewellyn's response to a FIPP (International Federation of the Periodical Press) questionnaire survey conducted in the course of preparation of the 2004 Publishing Handbook.

⁷ Ibid, 6 above.

⁸ Ibid, 6 above.