

# vermont life

## Operational Review

Vermont Life submits this report in response to the request of the Vermont General Assembly made in Sec. 807 of Act 172 (2015, Adj. Sess.)(FY 2017 Appropriations):

### Sec. E.807 VERMONT LIFE MAGAZINE DEFICIT AND OPERATIONAL REVIEW

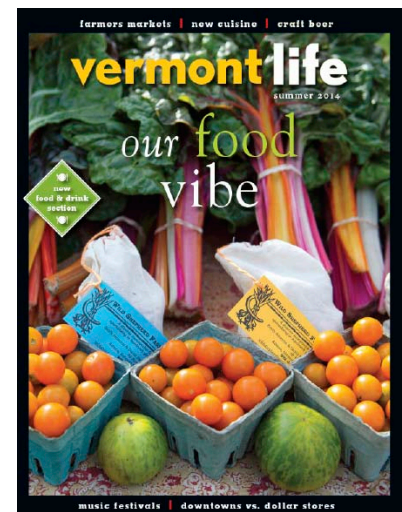
(a) The Vermont Life Magazine Fund deficit was reported at \$2,840,146 in the June 30, 2015 Comprehensive Annual Financial Report. The deficit is projected to grow during the 2016 and 2017 fiscal years. The Secretary of Administration and the Secretary of Commerce and Community Development shall submit a joint review of Vermont Life, which will include other operational models and a plan relative to the magazine's future which will address the growing shortfall of the enterprise.

(b) If the proposal envisions a continued operating deficit, the Agency of Commerce and Community Development shall propose a plan to eliminate the operating deficit within two fiscal years.

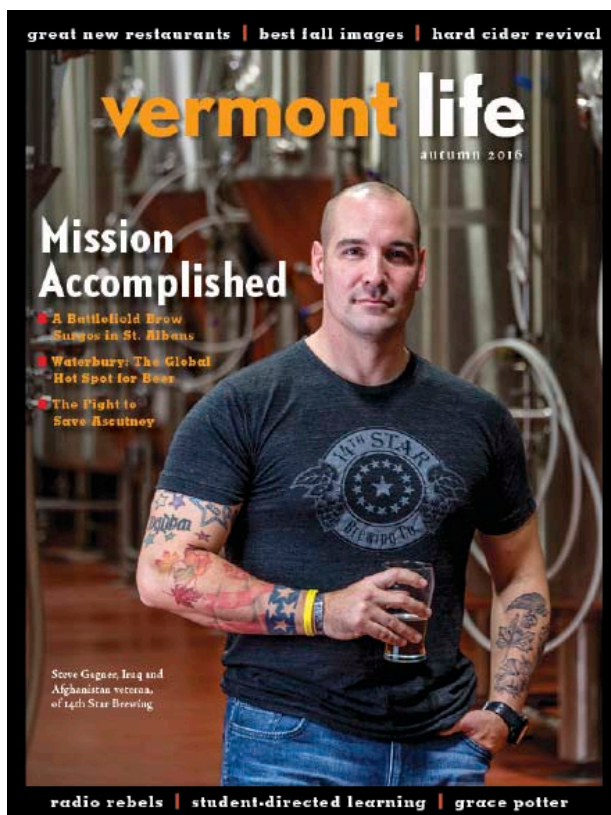
(c) The operating deficit plan and any proposals shall be submitted to the House and Senate Committees on Appropriations as part of the fiscal year 2018 budget.



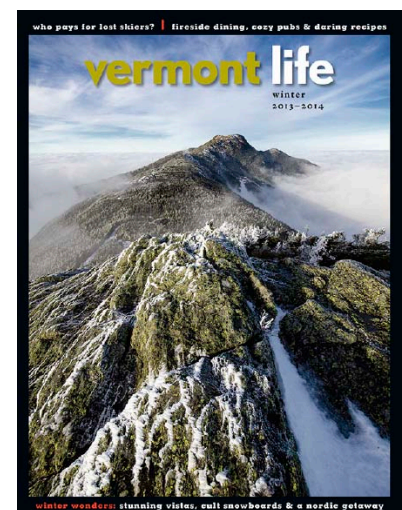
Summer 2016



Summer 2014



Autumn 2016



Winter 2013-2014

## I. General Overview

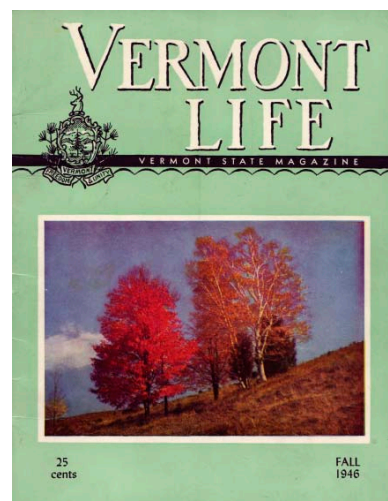
Founded in 1946, Vermont Life was created to be an attractive, effective promotional tool for the Vermont Development Commission, which was looking to appeal to an urban, mobile, modestly prosperous audience. We believe that it is a mission as worthy and necessary today as it was 70 years ago.

Vermont Life remains the state of Vermont's premier marketing tool. It is the largest publisher in Vermont, with a greater readership than the Rutland Herald, Burlington Free Press, Times Argus, Seven Days and VTDigger. More than 38,000 readers subscribe annually, and 10,000 more purchase the magazine on newsstands. Since Vermont Life's redesign five years ago, the average age of readers has dropped by 13 years to 55; its readers are well educated and affluent, with 68 percent holding a college degree or higher and more than 50 percent making \$100,000 annually.

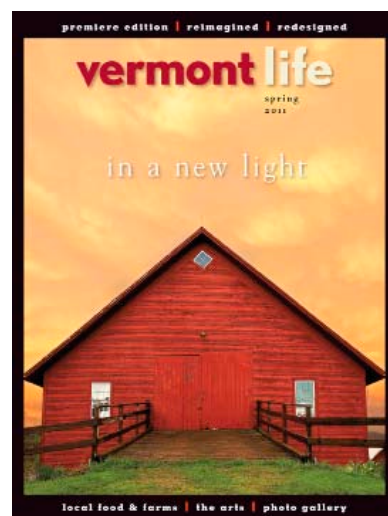
The magazine has a loyal following, both in terms of readership and advertising sales (see appendix 1). The Department of Tourism has always recognized the role the magazine plays in terms of enticing visitors to come to the state and uses it as a "lure" piece at its conferences. In the last year, the Department of Economic Development has reached out to Vermont Life for magazines to give away at events and relied on the staff for significant help in marketing and staffing events. Other businesses, such as Hotel Vermont and Stowe Mountain Resort, have started carrying the magazine in all rooms, and the Vermont Dental Association now uses Vermont Life as its chief lure piece to draw new dentists to the area.

Last year, in an effort to quantify the economic impact that the magazine has on the state, Vermont Life conducted a reader survey. Readers were asked to distinguish between actions they typically took when visiting Vermont and actions they took specifically as a result of reading Vermont Life. Readers attributed the following actions to reading the magazine:

- + 67% bought a Vermont product, visited a Vermont store or used a Vermont service
- + 56% tried a new restaurant
- + 44% planned a vacation or staycation
- + 26% made lodging plans
- + 6% bought real estate in Vermont



**Autumn 1946**



**Spring 2011**

**“Hotel Vermont and Stowe Mountain Resort have started carrying the magazine in all rooms, and the Vermont Dental Association now uses Vermont Life as its chief lure piece to draw new dentists to the area.”**



Using very conservative multipliers, ACCD Economic Research Analyst Ken Jones determined that this translates into \$33.5 million annual spending on dining, lodging, real estate services, calendar sales and associated taxes. This estimate does not take into account other related spending such as transit, or services such as spas, skiing, fishing, festivals, events, etc.

In addition to the annual spending, real estate purchases by Vermont Life readers have resulted in an estimated \$103 million in property taxes since the magazine began.

Within this context, Vermont Life's operating budget of \$1.6 million annually, nearly 75 percent of which is self-funded through subscriptions, advertising and product sales, remains a solid investment.

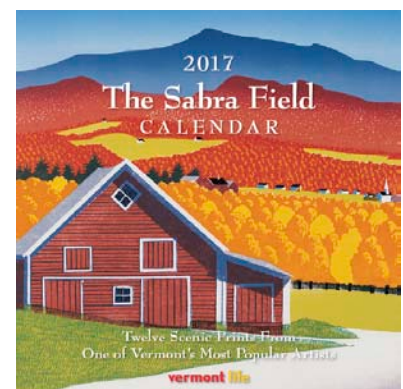
Any discussion of financing needs to occur while keeping in mind the ROI to the state. The \$200,000–\$400,000 cost of keeping Vermont Life running is a small investment considering the amount of marketing power the publication wields. The magazine's articles provide "storytelling" about Vermont people, places and entrepreneurs, and storytelling is regarded as one of the most powerful strategies available in marketing today. Indeed, it allows us to differentiate ourselves from other places in New England and upstate New York that may be marketing to the same people. The advertising surrounding those stories also provides Vermont's restaurants, ski areas, stores, events, hospitals and businesses a platform through which to reach people inclined to buy Vermont products. Meanwhile, Vermont Life calendars offer a daily reminder of the state's beauty to the more than 35,000 people who purchase them. Add to that the 31,000 reached via the e-newsletter, 20,200 on Facebook and 21,400 on Twitter, and it all adds up to a very powerful way to reinforce the Vermont brand.

## II. Current Financial Situation

Vermont Life is currently operating at a deficit. For FY 2015, the operating deficit was \$433,157. For FY 2016, the deficit was less: \$408,808. We project that in FY 2017, the deficit will be substantially less: \$259,599, and less still in subsequent years.

This improving financial picture results from a number of factors. The Vermont Life staff has taken many cost-cutting measures during the last several years in order to combat the rising cost of publishing the magazine. Among them are the following:

**“Using very conservative multipliers, ACCD Economic Research Analyst Ken Jones determined that this translates into \$33.5 million annual revenue to the state due to Vermont Life—reader spending on dining, lodging, real estate services, calendar sales and associated taxes.”**

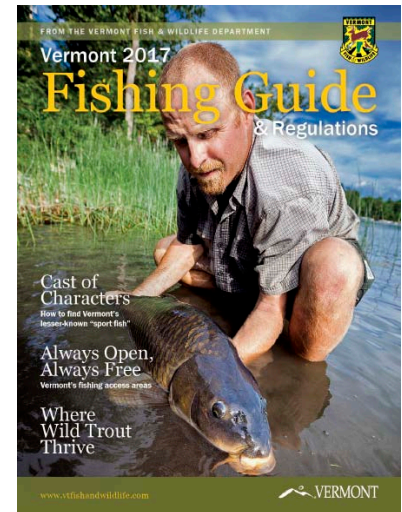


**Sabra Field Calendar 2017**

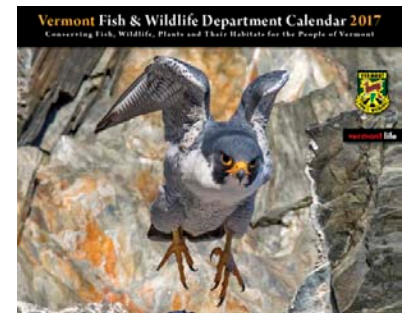
- ✦ Reduced staff from 16 employees to seven
- ✦ Stopped producing the artisan catalog, focusing only on Vermont Life–made products with a much higher profit margin and lower operational costs/expenses
- ✦ Reduced physical size of the catalog
- ✦ Reduced print, shipping and paper costs for the magazine
- ✦ Reduced editorial and photo costs
- ✦ Changed shipping methods for international subscriptions and bulk freight
- ✦ Eliminated small, long-existing spends (e.g., phone book listings)
- ✦ Tightened print orders for both the magazine and calendars, ensuring very little leftover inventory

Simultaneously, the staff has increased revenue substantially through the following means:

- ✦ Increased circulation of the magazine
- ✦ Increased ad revenue in the last year by hiring a new ad sales person — sales are up 56 percent in his first six months of employment
- ✦ Designed, edited and published the Fish & Wildlife fishing regulation guidebook (which previously was sent out of state for publishing)
- ✦ Designed and published the Fish & Wildlife calendar
- ✦ Created new Economic Development website as part of the new Economic Development Marketing Plan
- ✦ Staffed trade shows for Economic Development, including Tech Jam and Wings Over Vermont
- ✦ Created collateral, ads and messaging for Economic Development–sponsored events
- ✦ Partnered with the Agency of Agriculture on special co-op holiday photography and advertising
- ✦ Added a digital edition and online advertising for Vermont Life
- ✦ Set up social couponing programs (JumpOnIt and Living Social)
- ✦ Created two new lines of exclusive notecards
- ✦ Partnered with Ski Vermont Magazine to polybag magazines together for Winter 15–16 and Winter 16–17 issues, saving postage costs for Vermont Life
- ✦ Sold and fulfilled Vermont Strong license plates after Tropical Storm Irene



**Vermont 2017  
Fishing Guide**



**Vermont Fish & Wildlife  
Calendar 2017**

Despite these cost-saving and revenue-generating measures, the magazine continues to operate at a loss, resulting almost exclusively from standard upward pressures that can't be easily controlled, such as employee benefits, mandatory cost-of-living raises, and mandatory expenditures such as a fee for DII and interest on Vermont Life's debt.

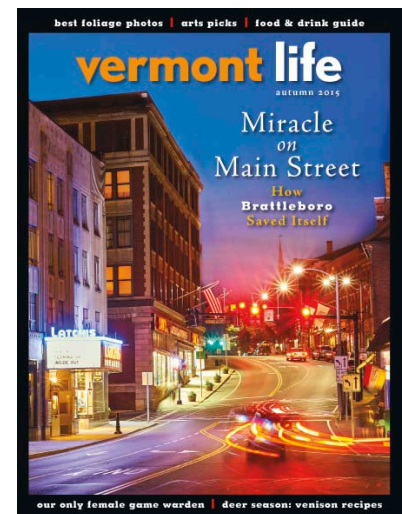
### III. Business Climate

It is important to note that Vermont Life's fiscal challenges are not new. The magazine received significant state appropriations annually for its first 30 years (e.g., \$41,000 in 1964, the equivalent of \$320,000 today). In the 1960s, Vermont Life started publishing calendars to increase revenue because the magazine was operating at a loss. In 1991, Vermont Life began accepting advertising because the magazine was again operating at a loss. In fact, Vermont Life has broken even only seven times in the past quarter century.

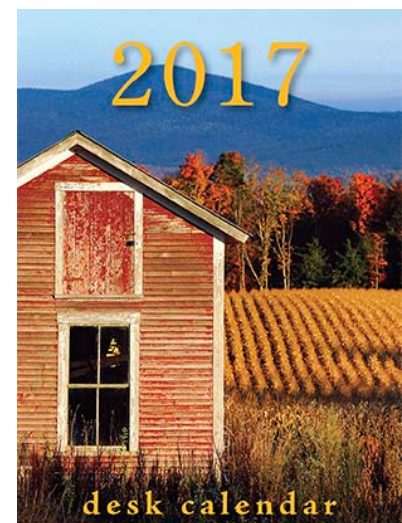
Currently, the magazine is one of only three state entities expected to bring revenue into the state, the other two being Liquor Control and the Lottery. To operate as a for-profit media company within the confines of state government is challenging to say the least. To begin with, there are many competing interests:

- ♦ Vermont Life readers want a useful, beautiful magazine at an affordable price; it is expected to be published on quality paper and have spectacular photos and high-quality writing
- ♦ Advertisers, meanwhile, want exposure to the magazine's large, affluent audience, but want that exposure at an affordable rate
- ♦ State policies insist that Vermont Life must follow all rules regarding contracting, with preference given to Vermont firms; salaries, raises and benefits are standardized — cost-of-living raises occur whether business is good or bad
- ♦ Other state agencies expect free copies, yet Vermont Life is expected to the focus on our bottom line
- ♦ Freelance photographers and writers expect a competitive wage

At the same time, the magazine occasionally comes under criticism from other private publishers for competing with private enterprise.



**Autumn 2015**



**Vermont Life 2017  
Desk Calendar**



Any discussion of what to do with the magazine must acknowledge the reality that reaching a break-even point at anytime in the future will be highly unlikely given these parameters.

## Options

Discussions concerning Vermont Life, its role within the state, and its financial underpinnings have been ongoing for decades. Typically, the plans for reaching a break-even point have centered around cost-cutting and/or increasing revenue, and projections have always put that profitability tipping point a few years out. Now virtually every area of cost reduction has been investigated and costs have been cut as far as possible without a significant reduction in the quality of the publication or the removal of the magazine from state ownership and the rules governing contracting and employee benefits.

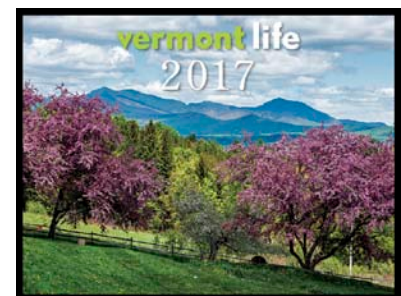
Likewise, the staff at Vermont Life has investigated numerous pathways to profitability from a revenue-generation standpoint, from selling Vermont products to guiding Vermont tours to trying to partner with universities for increased circulation. This past year, the most profitable avenues to date were explored, with the Vermont Life staff producing publications and websites for other state entities, including the Fish & Wildlife fishing guide and calendar and numerous projects for Economic Development and Tourism. While these projects contributed significantly to the bottom line, the small Vermont Life staff has reached its maximum work capacity, so other similar large projects to reach that break-even point would be unfeasible.

That leaves the following scenarios as the most likely courses of action:

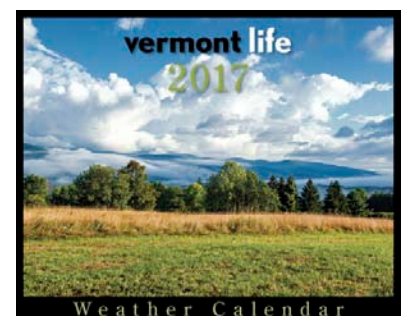
### **Scenario 1** Maintain Vermont Life Within the Enterprise Fund

Should Vermont Life be able to continue its current strong advertising sales, maintain its current circulation and continue to take on extra projects for other agencies, breakeven could be within reach by FY 2020, provided the magazine would again receive an annual appropriation of about \$200,000 (see appendix 1). This target would also require an annual \$100,000 from Economic Development for marketing and editorial work and a continuing agreement to publish the Fish & Wildlife guide.

**“This past year, the Vermont Life staff produced a calendar and the annual fishing guide for the Department of Fish & Wildlife, created a new website for Economic Development and participated on numerous projects for the Department of Tourism.”**



**Vermont Life Classic  
Wall Calendar 2017**



**Vermont Life 2017  
Weather Calendar**

Again, the idea of an appropriation to help offset operating costs is not new. From the very beginning, the founders anticipated needing financial help. The mission in statute reads as follows:

The mission of Vermont Life magazine shall be to promote subtly the State in a premier-quality magazine filled with the best writing, illustration, art, and photography Vermont has to offer. ... An enterprise fund ... shall consist of all revenues derived from the sale of Vermont Life magazine, advertising ... digital and other emerging media, advisory services, sponsorships, grants, events, promotions, competitions, partnerships, licensing, fundraisers, retail sales ... other commercial activities that are consistent with Vermont Life values and supportive of the Vermont brand ... and any interest earned by Vermont Life magazine, *and all sums which are from time to time appropriated for the support of Vermont Life magazine and its operations.* [italics added for emphasis]

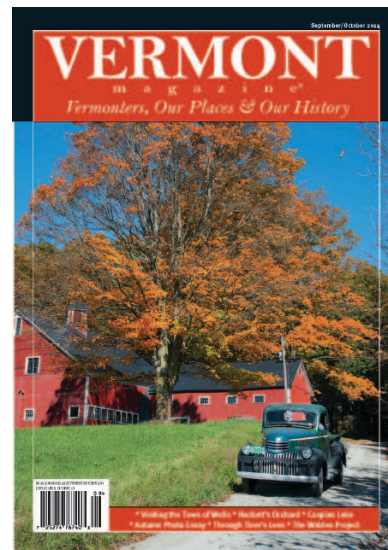
Should an appropriation not be granted, reaching the break-even point would necessitate at least four other \$50,000 projects, an unsustainable workload without the addition of more employees.

## Scenario 2 Sell or Stop Publication of Vermont Life

Given the difficulties of competing in today's competitive media landscape, and the extra burden of doing so within the confines of state government, the management team at Vermont Life and ACCD have discussed the option of spinning the magazine off. The benefit of selling the magazine is clear: The state would no longer incur the cost of running the magazine. However, the downside would be that the state would immediately lose the cumulative marketing strength of 70 years of publication as well as total control of the editorial content.

Then-Deputy Secretary of ACCD Lucy Leriche investigated the option of selling with John C. Peterson of Community Publishing Solutions. Mr. Peterson agreed that the biggest risk of selling the magazine is the loss of editorial and quality control. He advised that the state would likely need to pay for someone to take the magazine over should we insist on maintaining quality and editorial standards.

Furthermore, the magazine has amassed a \$2 million debt over the years, and according to the Department of Finance and Management, that loss would have to be paid in order for the magazine to be closed down or sold. Therefore, ceasing publication or selling the magazine is a costly endeavor.



*The downside of selling the magazine would be that the state would immediately lose the cumulative marketing strength of 70 years of publication as well as total control of the editorial content. Meanwhile, other publications that focus on Vermont's past (Vermont Magazine, above) or don't have the state's best interests in mind (Rolling Stone, below) would be left in the marketplace.*



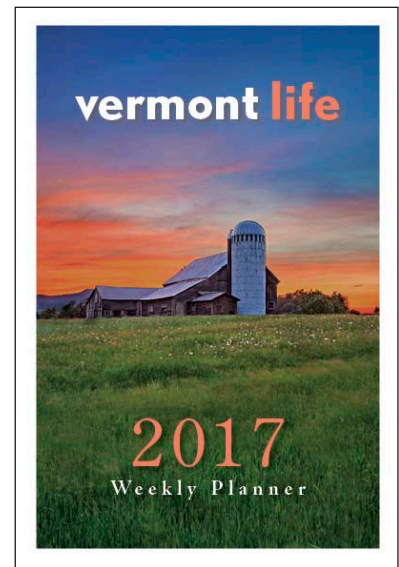
### **Scenario 3 Absorb Vermont Life Into the State's Marketing Department, Making It a Line Item in the General Fund**

The Vermont Life staff currently produces a quarterly magazine, a monthly consumer e-newsletter, a digital edition, a monthly advertising e-newsletter, the Fish & Wildlife Guide, the [vermontlife.com](http://vermontlife.com) website, the [thinkvermont.com](http://thinkvermont.com) website and seven calendars. All of that editorial, design and marketing know-how could be well utilized and, in fact, expanded upon if the magazine were no longer expected to be a revenue generator. (It's worth noting that other businesses, such as local ski areas, and even some towns, publish magazines at a loss, viewing them as effective marketing tools, not revenue generators.) If Vermont Life were treated like other cost centers for the state and appropriately funded, far more staff time could be allotted to producing content for other state agencies and establishing branding protocols to standardize, improve and invigorate the state's messaging, particularly related to economic development.

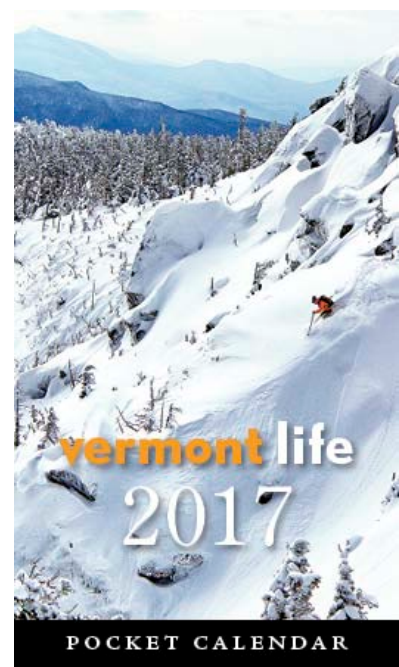
Vermont Life is a powerful brand, and the redesigned magazine focuses on what has been proven to be the aspects of the Vermont lifestyle most appealing to millennials: quality of life, technology and entrepreneurship, environmental and social sustainability, local food, and beer and other beverages. Those millennials are the very people that the state hopes to court for economic development purposes. Vermont Life magazine could be but one stream in a long line of marketing efforts, as has already been demonstrated during the last year, with accomplishments including website development, collateral material generation, video creation, drone video creation, advertising development, branding and messaging.

While some may argue that it is not worth keeping a print magazine at all in the age of digital technology, the truth is that people under the age of 35 read more print magazines than people over 35. Consumers are also consistently shown to be more influenced by magazine media than TV or online advertising, and marketing research shows that brands achieve higher favorability in print magazine ads than they do online or on TV.\* In other words, Vermont Life magazine could be a loss-leader from a P&L point of view while also serving as the flagship for the Vermont brand, one with a significant ROI for the state.

\*Sources: National Directory of Magazines/Mediafinder.com, 2015; MRI Fall '14; Experian Marketing, Spring 2014; InsightExpress 2014; GfK MRI Starch Advertising Research, July 2013–June 2014



**Vermont Life 2017  
Weekly Planner**



**Vermont Life 2017  
Pocket Calendar**



## Recommendation

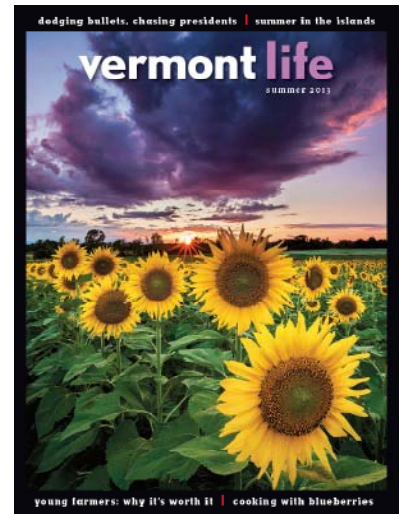
Gov.-elect Scott has suggested that marketing, and economic development marketing in particular, will be a critical focus of his administration. Given that, the future of Vermont Life depends largely on how marketing in the state is undertaken and whether a new vision of marketing for the state will take hold. Should a wholesale reimagining of the marketing department be initiated, Vermont Life and the Vermont Life staff could be brought to bear in a far more broad-based, effective way, as outlined in Scenario 3.

Should marketing of the state continue in much the same way as it has for the last decade, it is clear that Vermont Life is a critical tool in providing a positive vision of the state. Given the steady, even slightly upward tick of circulation in today's difficult media market, the exceedingly strong ad sales in the last six months and the recognition of the staff's expertise by the Department of Economic Development, the Department of Tourism, the Department of Fish & Wildlife and the Agency of Agriculture, and the strong ROI evidenced in the Reader Survey, it seems logical for the state to grant a \$250,000 annual appropriation to the magazine as outlined in Scenario 1.

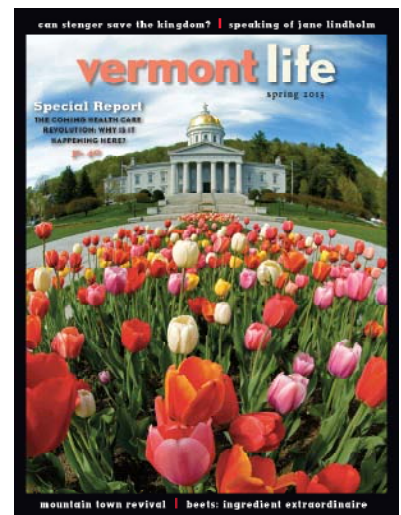
We do not think it is in the state's best interest to sell or end publication of the magazine as outlined in Scenario 2. Too many decades of branding and marketing expertise are at risk. It would be an enormous loss for the state in terms of ROI, and an enormous loss for other agencies that depend on the magazine as their conduit to tell the Vermont story.

# vermont life.

It's worth it.



Summer 2013



Spring 2013



Winter 2016-2017

## Appendix 1

SEE ATTACHED FY INTERNAL P&L WITH SIX-YEAR PROJECTION.

## Appendix 2

**Supportive Facebook comments after last year's Seven Days article about Vermont Life's financial issues and the threat of its demise.**

The past few years of Vermont Life have been terrific and finally the magazine is reporting about the Vermont I live in today, not the Vermont my grandparents lived in during the 1950s.  
— Cairn Cross

Vermont Life is a gem. — Ken Millman

I'm always excited to get the next Vermont Life issue. One thing I love about the mag is its positive nonconfrontational outlook mixed with its depth of reporting. Come on legislator (and whoever else) let's not look for controversy in the rare places where it doesn't live. — Leda Scheintaub

One of the things I love about Vermont is its friendly and sometimes enthusiastic acceptance of change. We are bucolic and we are about cows and green pastures, but we are also about New Americans and their dreams. How can that be bad? — Polly Hakala

I love the old Vermont Life magazines and often look for them in libraries and buy them at flea markets. I also love the redesign and the editorial focus of the magazine today. Vermont is the most beautiful place in the world, but like any place it's not frozen in time — thank goodness for that. — Tim Patterson

What a breath of fresh air. This will be the first subscription to Vermont Life I've bought in over 10 years. After 30+ years of seeing the ubiquitous pastoral scenes of barns, snow covered fields, cows and pastures; the magazine had become something I just passed by. This cover, in contrast, insinuates that if one were to scratch the surface they might find the unexpected: That Vermont is not simply monodimensional and monochromatic but has a vitality and richness worth discovering beyond the narrow archaic image we have been promoting. As good for marketing as this has been, perhaps that cover image will engender interest that was not there, as it has done for me. — Richard Fink

As far as I can tell, Vermontiness was a piece of self-conscious tourism PR since, oh, deep in the early 10th century. It's a shame that to some, celebrating rural American heritage means erasing our real, deep diversity. I've been a huge fan of the VM redesign, which has done a great job bringing the image of Vermonters more in step with reality — I like images of craggy old farmers as much as the next girl (which is a lot), but that's just one side of what this state is.  
— Jen Rose Smith

I love VT Life Magazine and have decided to give each one of my overseas families a subscription for their birthdays this year, as all of their lives have been touched by this wonderful state in some way.  
— Ingrid Hafner

I love the cover. I think it gets your attention. "This is Vermont?" Yes it is. And an interesting story that's unexpected for this publication. That's good marketing."  
— Kath Monstream

### Selected Comments From the 2015 Reader Survey

"My daughter is a freshman at UVM and this magazine is a great guide to our many explorations that we'll be having over the next four years!"

"I discovered Solmate socks through an ad in the magazine and have worn them for years now. We've also visited restaurants that we read about in your pages."

"Reading Vermont Life reminds me to start looking for ways to move back to my beloved home state."

"I really connected to the "Why millennials stay in Vermont" article. I always go back to it when I think about leaving."

"I recently purchased Vermont property as a result of reading this publication!"

"I love your state and try to visit often on my motorcycle. (Vermont Life) always points me toward new roads and new activities to try!"

"I moved to Vermont ... after picking up a copy of Vermont Life in my college library."

"I started to visit and vacation in Vermont after I began reading Vermont Life. It was the magazine I always looked forward to while I lived out of state for over 12 years. It made me look forward to moving back."