

Think Ahead

**ACCA**

# **STRATEGIC BUSINESS LEADER**

PRE-SEEN INFORMATION

Applicable for the March 2026 Exam

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# 1. Introduction

Merceh Co (Merceh) is one of the five biggest publishers of magazines in the country of Darland. It was established 60 years ago. Merceh publishes magazines on a wide range of leisure subjects in both print-based and digital formats.

## 2. Sector information

### Overview

A magazine is a publication generally produced on a regular schedule containing articles and illustrations, often covering a particular subject or aimed at specific readers.

Magazines are published on a range of different subjects. Magazine publishers may have other media interests, for example, provision of market research services. The five biggest publishers of magazines in Darland have around half of the market in Darland in terms of revenue. The total market size in Darland is about \$8,000 million in revenue terms.

Magazines are generally published on a regular basis. Many magazines are published monthly, but others are published weekly or quarterly. Each version of the magazine is known as an edition, for example, the monthly edition for January 20X6.

Most magazines are published in both print-based (hard copy) and digital (online) formats. The market for print-based magazines is diminishing, although it is likely to remain significant for some time to come.

Readers are defined as anyone who pays to have access to magazine content, either in print-based or digital formats. Some readers pay a subscription to purchase a set number of editions of the magazine or to access online content for a set period. Readers who pay a subscription for the magazine in any format (print or digital) are known as subscribers.

### Products

The majority of magazines published in Darland relate to leisure activities and interests, including home, lifestyle, sports, hobbies, computers, motoring, transport, music, film, television programmes and celebrity news. There are also some business and professional magazines, covering news and matters of interest for specific business sectors and occupations.

The content of magazines varies according to the subject of the magazine. It might typically include the latest news about the subject, articles on topics of interest, regular opinions by particular authors and reviews of products connected with the subject of the magazine.

The digital content available for magazines varies by publisher and magazine. Sometimes, the publisher just reproduces the content and format of the print-based version of the magazine online. However, some publishers offer extra content through a number of online channels, such as:

- Additional website material relating to the magazine content (further written content, images, video clips)
- Email newsletters
- Podcasts (audio or video programmes discussing topic(s) of interest to magazine readers which are available for download or streaming)
- Social media (uses include highlighting specific content, promoting next edition of magazine, raising topics for discussion/sharing amongst social media followers)

Publishers also enter partnerships to ensure maximum distribution of digital content, for example, partnerships with digital app stores.

## Magazine staff

Staff may work across a number of different magazines.

## Magazine authors

Writers for magazines are known as authors. Authors include:

- **Employees** of the publisher of the magazines (in-house authors).
- **Freelance authors.** Freelance authors are not employees of the publisher, but have an arrangement with the publisher which requires them to produce specific content. They are paid fees only for what they write. Some will be well-known names in relation to the subject which the magazine covers and will be paid to give their opinions about the subject. Well-known or expert freelance authors may be paid high fees.

## Other magazine staff

- **Editors** check what authors have written for accuracy, spelling, grammar and clarity of reading.
- **Design staff** are responsible for the design and the layout of the published material.
- **IT support staff** maintain the publishers' IT infrastructure.
- **Advertising staff** are responsible for selling space in the magazines to advertising businesses (advertisers). Magazines contain adverts for products and services which advertisers feel will interest the magazines' readers.
- **Marketing staff** are responsible for marketing the magazines through various channels.
- **The magazine's editor-in-chief** is in overall charge of the magazine and all employees and freelancers report to him or her.

## Magazine production process

For each edition of the magazine, the magazine's editor-in-chief specifies the content of the magazine and who will write each item in the magazine (employee or freelance authors).

Authors may write material for the magazine solely at their desks, or they may have to go out to obtain material for articles (for example, authors on magazines about films would attend film screenings).

Magazines have a guide which authors must follow when writing content. Guidance will include what content is and is not acceptable. It will also include the tone and presentation of content (for example, use of paragraphs and punctuation), as well as preferred terminology.

Authors generally have to produce content by a set date (the deadline) for each edition of the magazine. The deadline allows sufficient time for editing and printing/digitising the content by the publication date of the magazine.

Once content has been written, it is reviewed (edited) by editors.

Once writing and editing have been completed, the content written by authors is brought together into an edition of the magazine, which will also include advertisements and letters from magazine readers. The magazine's editor-in-chief will review the whole magazine. The magazine will be printed and/or uploaded if published online.

## Software

Many publishers pay fees to suppliers for software which assists in publishing content.

A digital publishing platform is software used specifically for producing digital content. The capabilities the digital publishing platform has depends on the software being used. As well as assisting with design and layout, it may be used to add multimedia elements and publish content onto multiple channels, including social media and mobile apps. A digital publishing platform may also allow the inclusion of advertisements as part of digital content.

Other facilities digital publishing platforms may provide include data analytics, search engine optimisation and integration with e-marketing. Some digital platforms provide paywalls, which mean that some content is only available on payment of an additional fee.

## Sources of income

- **Sale of print-based magazines to retailers**, e.g. supermarkets and transport hubs. Retailers buy magazines from publishers for onward sale to their customers.
- **Subscriptions to print-based copies of magazines**. Subscribers pay a subscription to purchase a set number of editions of the magazine (often all those published in a year). The total subscription cost is less than that of purchasing each edition separately. The editions are sent directly to the subscribers.
- **Subscriptions to digital versions of the magazine and other platforms where digital content is available**. Subscribers pay a subscription to receive an electronic copy of the magazine via email and/or to be able to access digital content for a set time period.
- **Sale of advertising space in print-based and digital magazines**. Businesses pay magazine publishers to include adverts for their products or services in their publications. The adverts mostly relate to the subject matter of the magazine and are targeted at its readers.

## Expenses

- **Paper costs**. Publishers use external suppliers to supply paper for print-based magazines. They often purchase the paper in bulk and enter into long-term supply arrangements with the paper suppliers.
- **Printing costs**. Publishers either print the magazines themselves or outsource printing to printing businesses.
- **Print-based magazine distribution costs**. Once printed, magazines are sent to subscribers and retailers. Publishers may operate distribution centres, incurring running costs. Magazines are transported from the printing location to the distribution centre (incurring vehicle and transportation costs) and from there to individual subscribers (incurring postage costs) or retailers (incurring further vehicle and transportation costs).
- **Employee salaries**. These include salaries of authors and editors, also advertising, marketing, IT and administration staff (including management).
- **Freelance author fees**. These will be for each item written.
- **Technology running costs**. These include the technology necessary for production of print-based magazines and to support digital material. Costs may include fees paid to a third-party supplier who provides a digital publishing platform. Technology costs also include the costs of operating the publisher's own administration and accounting systems.
- **Office premises costs**. Publishers often require significant office space and may also operate on multiple sites.

## Industry body

The magazine regulator in Darland is the Newspaper and Magazine Standards Authority (NMSA). It publishes regulations and guidance covering content accuracy, taste and offensiveness, writing about controversial issues, and behaviour of publishers' employees. It handles complaints and conducts investigations. It can require magazines to publish corrections to inaccurate or misleading material and may impose fines on magazines for breaches of regulations.

## Stakeholders

Significant stakeholders are:

- Magazine readers
- Directors
- Content authors (employees and freelance) and editors
- Other key employees
- Paper suppliers
- Distribution businesses
- Printing businesses
- Retailers of magazines
- Advertisers
- Providers of digital platforms
- Investors
- Significant individuals/organisations in sectors covered by magazines (e.g. sporting bodies, computer game manufacturers, pressure groups)
- NMSA regulator

## Industry challenges

The most significant challenge is the declining demand for print-based magazines and the need to replace loss of income from subscriptions and sales at retailers.

Many magazines cover subjects for which a lot of material is available online for free. Publishers therefore have to produce material of sufficient quality and interest for which readers will be prepared to pay.

Publishers also face threats to advertising income. Partly these arise out of advertisers being unwilling to pay for advertising in print-based magazines with declining demand. Whilst publishers receive income from advertising on their digital channels, there may be other digital channels, not connected with magazine publishing, which are more appealing to advertisers.

The magazine industry is in a state of continuous consolidation, with takeovers or buyouts of publishers or rights to publish particular magazines occurring regularly.

## Risks

Potential risk	Potential impacts
<b>Production of poor content</b>	<ul style="list-style-type: none"> <li>– Loss of reputation</li> <li>– Loss of readers</li> <li>– Loss of sales and advertising revenue</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>– Legal fees and damages arising from publishing inaccurate and harmful content about individuals (defamation)</li> <li>– Legal fees and damages arising from using content which others have written and not acknowledging who wrote the content originally (plagiarism)</li> <li>– Legal fees and fines for breaching laws of Darland or regulations made by NMSA</li> </ul>
<b>Cyber security</b>	<ul style="list-style-type: none"> <li>– Interruption to operations</li> <li>– Loss of data/unauthorised access to data leading to fines and loss of trust by readers</li> </ul>
<b>Search engines and social media</b>	<ul style="list-style-type: none"> <li>– Change in algorithm resulting in publisher's material being given lower search engine ranking</li> <li>– Social media no longer making content available</li> </ul>
<b>Poor economic conditions</b>	<ul style="list-style-type: none"> <li>– Reduction in reader spending on magazines</li> </ul>
<b>Problems with paper suppliers</b>	<ul style="list-style-type: none"> <li>– Inability to print magazines on time due to paper shortages</li> <li>– Impact on cash flows of significant increases in paper costs</li> </ul>
<b>Problems with platform suppliers</b>	<ul style="list-style-type: none"> <li>– Inability to offer material on digital publishing platform</li> </ul>
<b>Loss of key persons</b>	<ul style="list-style-type: none"> <li>– Inability to deliver strategy</li> <li>– Adverse impacts on content quality</li> </ul>
<b>Foreign currency</b>	<ul style="list-style-type: none"> <li>– Losses on settlement of foreign currency transactions</li> <li>– Longer-term losses due to adverse movements in Darland's exchange rate</li> </ul>
<b>Climate change</b>	<ul style="list-style-type: none"> <li>– Adverse impacts on publishers, suppliers and readers resulting from extreme weather events</li> <li>– Loss of reputation if publishers seen to be taking insufficient action to combat climate change</li> </ul>

## Key performance indicators (KPI)

- Revenue and revenue growth
- Split of revenue between magazine and advertising revenue
- Split of publication revenue between income from print-based magazines and digital materials

- Operating profit
- Free cash flows
- Earnings per share
- Number of subscribers (print-based and digital)
- Number of visitors to magazine’s website
- Staff turnover
- Environmental impacts e.g. energy consumption and amount of waste

### 3. Company overview

#### Background

Merceh Co (Merceh) is one of the five biggest publishers of magazines in Darland. It was established around 60 years ago, with its first magazines covering home and lifestyle subjects. It has expanded over the years due to a combination of publishing popular magazines and taking over publishers who produce magazines on other subjects (e.g. sport).

Merceh publishes over 300 different magazines on a wide range of leisure subjects. Most of its magazines are published in monthly editions, with a few being published weekly or quarterly. All magazines are published in both print-based and digital formats.

All of its offices and the retailers which sell its magazines are based in Darland. Merceh has been listed on the Darland stock exchange for the last eight years.

#### Mission and values

Merceh’s mission statement is:

‘To enhance our readers’ lives through the expert provision of information which engages, enables and entertains them.’

Merceh’s communications with readers often stress that Merceh’s authors and readers are part of one large community.

Other values which Merceh emphasises include its commitments to sustainability and developing its employees personally and professionally.

Merceh has an ethical code, which mainly contains broad principles on areas such as integrity and honest content creation, and also has some specific provisions, for example, compliance with the regulations of the NMSA.

#### Ownership

The split of shareholdings is as follows:

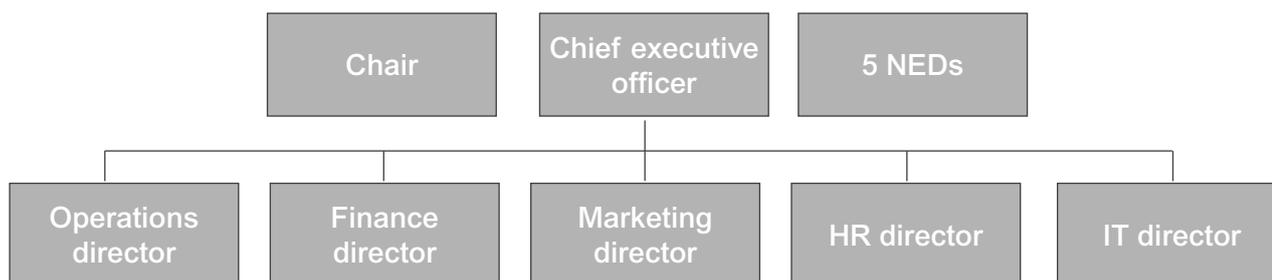
	%
Institutional shareholders	60
Directors	30
Other shareholders	10

#### Governance

Merceh has 12 directors. Six are executive directors and six are non-executive directors (NEDs) (including the non-executive chair). The 50/50 split is as required by Darland’s corporate governance code. All NEDs fulfil the definition of independence given in the code.

Merceh has nomination, audit and remuneration committees, in line with Darland's corporate governance code. It also has a risk committee, which is not required by the code.

## Board structure



## Products

Merceh's print-based magazines can be subscribed to directly or purchased at retailers. Digital subscriptions allow online access to all material published in past and present editions of the magazine. Merceh does not offer digital versions of its magazines distributed by email.

## Organisation

Merceh is organised into eight divisions, reflecting the content of the magazines. These include sport, lifestyle and computers. Each division has one main office, and some have a few smaller offices as well.

Merceh has a head office, located in Darland's capital city in the north of the country, where its senior management team, procurement, marketing and administration teams are based.

Most authors work in their office two days a week, and work from home the rest of the time. Some authors will spend time out of the office gathering material for magazine content, for example, authors on sports magazines attending sports fixtures. Other staff are required to be in the office on varying numbers of days a week depending on their roles and can work from home the rest of the time.

## Content production staff

Staffing of magazines varies, depending on factors such as subject matter and frequency of publication. All magazines employ one or more in-house authors who will write some of the content required. Most magazines also use freelance authors. Freelance authors often provide expert content, where Merceh is lacking in-house expertise, for which they are paid at high rates, or as cover if employee authors are not available to do the work.

## Paper and printing

Merceh sources paper from several paper suppliers and states publicly that its paper suppliers obtain their raw material supplies from sustainable sources. Merceh does its printing in-house, unlike most publishers in Darland which outsource their printing.

## Distribution

Merceh transports its magazines from its printing location to its distribution hub located in the centre of Darland. The hub sends magazines to individual subscribers through the postal service and delivers magazines directly to retailers.

## IT systems

Merceh has paid for the use of the same digital publishing platform for a number of years. The platform offers customisation of print-based magazine content for publication on Merceh's website, incorporation of images and some data analytics facilities.

Merceh's subscriber database is operated in line with data protection regulations. For each subscriber, it records their contact details, the magazines to which they subscribe and payment information.

The board considers Merceh's administration and accounting systems to be sufficient for its purposes.

## Stakeholders

Merceh's significant stakeholders are the same as those as listed in the sector information.

## Risks

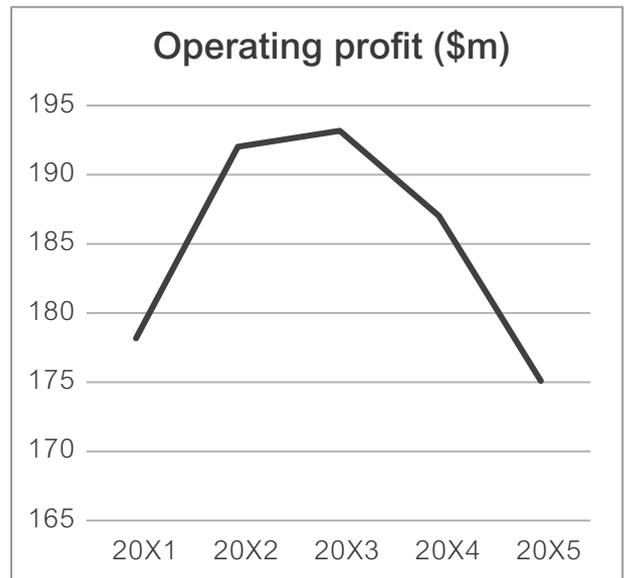
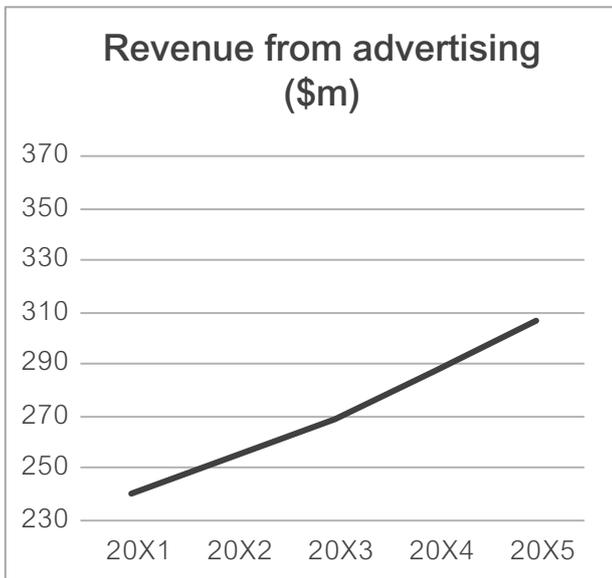
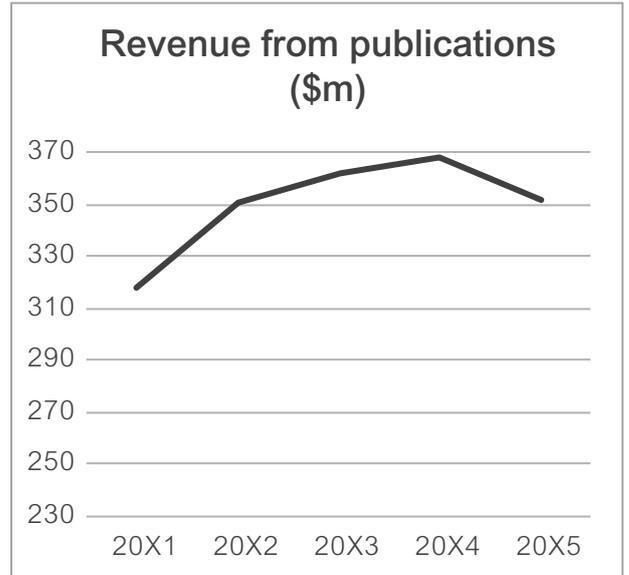
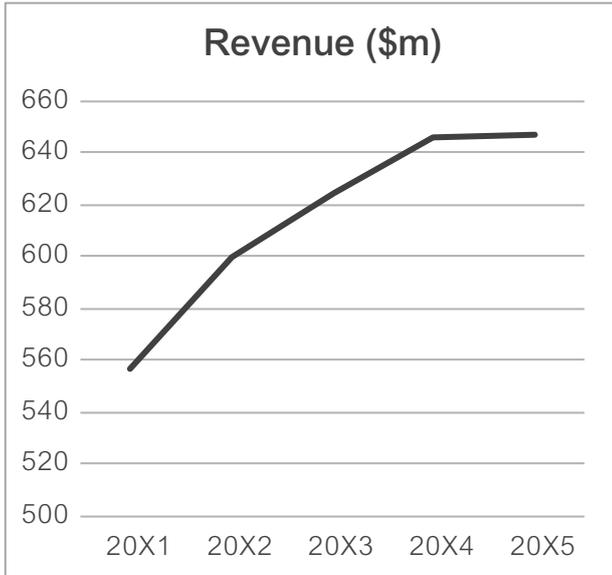
Merceh's major risks are the same as for the sector risks.

# 4. Website extract

## Corporate social responsibility statement

<b>Content provision</b>
We strive to produce trustworthy and original content, which engages, enables and entertains readers. We are committed to countering the threats of misinformation and fake news. We also aim to embed our core values, including sustainability, in the content we produce.
<b>Working environment</b>
We strive to provide a supportive environment which gives our employees the opportunities to produce top quality content. We reward strong performance by any member of staff. We are committed to diversity and fostering a community culture. We see development of employees as not just acquiring the knowledge needed for their roles, but professional and personal development in the widest sense. Our managers are always ready to listen to employee concerns.
<b>Stakeholder engagement</b>
We are aware of our impacts on stakeholders and are committed to respectful and regular dialogue with all stakeholders whom our activities significantly affect. We want to find out what our stakeholders think of us and learn what is most important to them. We aim to use that dialogue to take actions which address stakeholder concerns and enhance our relations with them.
<b>Social and environmental commitment</b>
We want to help build a sustainable future in which our business has positive social impacts. We are constantly looking at ways of avoiding the use of irreplaceable resources. We aim to reduce continuously our direct emissions and impacts. We regularly encourage our suppliers to follow our objectives of being socially and environmentally responsible. We are also committed to developing transparent reporting of our impacts on the community and the environment.

## 5. Financial and non-financial information



Merceh's operating profit margin in 20X5 was 27%.

