

Full Length Research Paper

Exploring the potential of electronic magazine among internet users

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This preliminary study explores the potential of online magazine or electronic magazine (e-magazine) in the context of Malaysia. Although many well-known large print-publishers now have their own version of electronic magazines, it is found that most of these publishers are foreign-based, while local-based electronic magazines are virtually none existed. Based on a survey among internet users in Malaysia, the study finds that there is a potential market for electronic magazine. Due to the supporting infrastructure for online transactions which is still at infancy stage in this country, it is recommended that local publishers should embark e-magazine project as a supplementary to the print version not as a stand-alone product.

Key words: Information goods, online shopping, electronic magazine, consumer behavior.

INTRODUCTION

In this modern age of the Internet era, almost every business has a web presence to run their company activities. The emergence of the internet has become a powerful channel for business marketing communication (Palmer, 1999). Most companies use the website as a portal to create new marketing channels to market the products or services. The cost of an online marketing platform is typically lower than other marketing platforms (Watson et al., 2002). However, the internet can also be viewed as disruptive technologies to the business as the firms have to adjust their business model in order to cater to the new technology (Christensen et al., 2006). The evolution of the Internet inevitably has important implication to magazine publishers. On the one hand, magazine publishers can use the internet to promote market their magazines at relatively lower cost than the traditional methods. On the other hand, the publishers might not be able to recover the cost of productions of the

magazines if readers insist on the content of the magazine to be freely available on the internet.

The content of a magazine is widely known as information goods (Wijnhoven, 2002; Hakfoort and Weig, 2003). Unlike other products, information goods have fixed costs, while the marginal costs are low or virtually non-existent. The cost of producing the first copy of information goods may be costly, but the cost to produce copies is negligible, especially in this digital era whereby it is easier to copy paste information from other sources. Effectively, most of the costs are considered sunk once information goods had been produced; therefore, the pricing of information goods is not based on the production cost but according to consumer value (Shapiro and Varian, 1998, pg 3).

Accordingly, the risk of failure in the business of information goods in the Internet era could possibly be higher than other businesses. As readers are accustomed to free content of web pages on the internet there is limited amount of money that could be generated from web advertising revenue, magazine publishers are pressured to publish their content online free of charge.

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Nevertheless, there is a niche market for e-magazine (also known as e-zine) targeted at dedicated or readers with specific interests such as adult materials or computer games. This study aims to explore investigate the potential of e-magazine in Malaysia. In particular, the study examines the level of acceptance of online magazines market in Malaysia. Finally, the study offers recommendations to the magazine publishers in the effort to strike a balance between online offline presences.

Meeting the challenges in the e-magazines market

Magazines titles are increasingly specialized. It means that the magazine publishers have to know their target market well customized the content to meet specific customer needs. Nowadays, many publishers provide a portion of digital reproduction of their print magazine titles through various online services for a small fee. Some magazine publishers have opted to require a subscription fee to access to their premium online article or multimedia content. There are also online magazine which have no print magazines, which are also known as e-magazine. Like the traditional magazine publishers, e-magazines generate revenue mainly from advertisement, affiliations to retail web sites or advertiser directory links.

The presence of electronic magazines may be seen as a disruptive technology to the traditional publishing houses. On the one h, the Internet has disrupted the business model of the firms because firms have to cater the needs of online readers. On the other h, the internet helps to sustain the firms as readers are now capable to read the print magazine as well as the electronic version (Danneels, 2004). While the cost of printing faced by the magazine publishers is high, the cost of online magazine is low a large web readership has encouraged publishers to embrace the internet as a marketing content delivery system.

Despite the contrasting evidence of the internet being seen as a disruptive technology, in a survey among editors of magazine publishers, Gallagher et al. (2001) found that the online presence of magazines has increased the sale of print publications. It means that, the magazine publishers are gaining benefits from their e-magazine version with revenues earned from online advertising online content subscriptions. Some authors have suggested various strategies for e-magazine publishers to adopt. Gallagher et al. (2001) have suggested four ways how the magazine publishers could increase its revenue by increasing its online presence. Firstly, through online advertising; secondly, subscription fees should be charged for online content; thirdly, the ability of online users to subscribe to print magazine, finally a syndication of the content to other online services.

In a recent study, Ellonen and Kuivalainen (2007)

suggested three steps for the magazine publishers to consider when they are planning to publish their magazine on the internet. Firstly, the publishers have to determine whether online presence would be beneficial. Secondly, the publishers have to choose an optimal online strategy that matches the magazine's competitive strategy. Thirdly, the magazine publishers should carefully consider to what extent they should invite their readers to be interactively involved. Essentially, the implications of publishing the magazine on the internet should be carefully reviewed by the publishers.

Moreover, it is found that magazine publishers usually subsidize their cover price by marking up the charges for advertisers. It means publishers generate revenue largely from advertisers, not from the magazine cover price. Publishers subsidize cover prices in order to attract more readers. As readers' circulation increases, advertiser's rate charged by the publishers will also increase. It is found that dem for advertising in each magazine is sensitive to the rival magazine's price (Kaiser and Wright, 2006). Therefore, the magazine cover price has to be competitive in order to attract readers advertisers.

Besides the common cost pricing constrains, publishers in some countries have to obtain permits from the government before they can publish, print distribute their print publications to the public. In Malaysia, for example, publishers have to abide the rules set by the government which, among others, prohibit the publication of materials considered inappropriate to the society, for example, the naked pictures of men or women. Publishers are also not allowed to publish materials that are deemed sensitive disruptive to the public peace harmony, for example, criticizing other races or religions (Ministry of Home Affairs, 2009). Although guidelines for electronic publications are not explicitly expressed, it is safe to assume that the same rules apply. Although the potential of e-magazine looks promising the benefits of utilizing internet technology are tremendous, there are some grey areas that have not been explored by magazine publishers. Therefore, the study is an attempt to explore the potential of e-magazine that identify consumers' needs expectations.

E-magazine online shopping

Following Ellonen and Kuivalainen (2007), identifying the potential of e-magazine is an important initial step for e-magazine publishers. Essentially, the characteristics or the profile of the potential users of e-magazine have to be determined. The characteristics of online shoppers in developed countries are very much similar with traditional shoppers as consumers in the developed countries are

Table 1. Profile of respondents.

| Respondents' profile | Items | Percent (%) |
|-----------------------------|--------------------------|--------------------|
| Gender | Male | 55.9 |
| | Female | 44.1 |
| Marital status | Single | 37.3 |
| | Married | 62.7 |
| Age | 16-25 years old | 18.6 |
| | 26-35 years old | 25.5 |
| | 36-45 years old | 27.5 |
| | 46-55 years old | 18.6 |
| | > 56 years old | 9.8 |
| Education level | School | 13.7 |
| | Diploma | 20.6 |
| | Undergraduate | 34.3 |
| | Postgraduate | 18.6 |
| | PHD | 1.0 |
| | Professional certificate | 11.8 |
| Monthly income | RM 2000 below | 31.4 |
| | RM 2001-4000 | 36.3 |
| | RM 4001-6000 | 16.7 |
| | RM 6001-8000 | 9.8 |
| | >RM 8000 | 5.9 |

more familiar with the internet online shopping. It is also reasonable to assume that consumers who are more familiar with the internet will be more receptive towards purchasing electronic magazine.

Previous studies have shown that, there are some characteristics which are more prevalent among online shoppers. For example, it is found that online shoppers usually have higher purchasing power (Donthu and Garcia, 1999); they spent more time using the internet (Loshe et al., 2000); they bought products or services that were less complex, low in price financial risk (Bathnagar et al., 2000); they emphasized the importance of brand name as a measure of reliability quality (Smith and Brynjolfsson, 2001). These characteristics could easily be associated to the adoption of e-magazine.

RESEARCH DESIGN

As the study is preliminary in nature, the target population was conveniently selected among internet users, mainly those who are living in the capital city of Malaysia, Kuala Lumpur. They were the most potential consumers that would likely buying e-magazine due to the geodemographic lifestyle. A self-administered questionnaire was used in the study. The questionnaire was distributed via online survey sent to 500 e-mail addresses on March 1, 2008, inviting the internet users to take part in the survey. They were asked to access

the website address listed in the e-mail fill in the survey form posted on the website. As only those who accepted the invitation participated in the survey, the survey was based on a self-selected sample. The replies were automatically stored in CSV-format data files. The participants were asked to answer a questionnaire made up of four web pages. The questionnaire consisted of items based on Likert-type or multiple-choice methods. The respondents were asked about their internet usage, time spent, website used to search for information, frequency of purchasing in the previous year their online shopping experience. In addition, they were also asked about their intention in buying e-magazine, their favorite magazine types, the frequency of buying e-magazines in the previous year factors in choosing e-magazine to buy.

A total of 102 usable responses were received in all out of a mailing list of 500 participants. This is a response rate of 20.4% which is not unusual for internet-based surveys where there is no overt inducement for completion or personalized follow-up. The response rate is quite acceptable for a one-shot survey with no follow-up no inducement to respond. There is as yet little documented experience of response ratios to surveys administered over the internet (Kaplowitz et al., 2004).

RESULTS

In this study, 102 people participated in the survey. Table 1 presents a profile of these respondents. There were 57 (56%) male 45 (44%) female. Most of the respondents were married (63%). The largest group of age were

Table 2. Frequent use of internet based age groups.

| Age group | Frequent use of the Internet | | | Total (%) |
|------------------------|------------------------------|--------------------------|--------------------------------|-----------|
| | Every day (%) | At least once a week (%) | None at least once a month (%) | |
| 16-35 years old | 24 | 18 | 3 | 45 |
| 36 years old and above | 0 | 25 | 30 | 55 |
| Total | 24 | 43 | 33 | 100 |

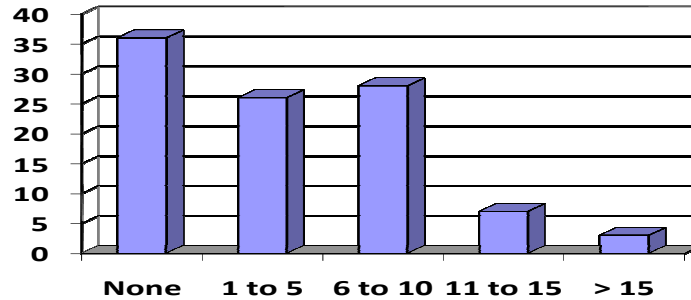


Figure 1. Number of e-magazines subscribed in a year.

between 36-45 years old (27.5%), followed by 26-35 (25.5%), 16-25 (18.6%), 46-55(18.6%) the rest (9.8%) were 56 years old above. This means that most of the respondents were matured adults. Approximately 14% were school leavers while most of the respondents (34.3%) have an undergraduate degree. Nearly 70% of the respondents were earning a monthly income of more than RM2000.00. It means that most of the respondents were in the group of well-educated middle income society.

Table 2 shows how frequent these respondents use the internet by age group. On the usage of the internet, only 24% of respondents were using the internet every day. These respondents were young adults aged between 16-35 years old. A large percentage of the older consumers (36 above) spent at least once a week. It means that, the usage of the internet is still low among respondents aged of 36 years above.

Online shopping experience

Most of the respondents claimed that, they have made a purchase on the internet at least once in the previous year. About 51% of respondents have purchased online more between 1-5 times during the past year, followed by 6-10 times (29%). However, 17% of them have never made any online purchase. A further analysis also

showed that, most of the purchases were made by respondents who earned less than RM4000 a month. A possible reason for this is because the younger age groups who are inclined to buy online have less income since they are still new in the job market. The amount of money spent on online purchase was also low relative to a typical monthly spending on individual groceries. Most respondents have spent less than RM100 (40%) during the last twelve months for online shopping. To put things into perspective, RM100 is equivalent to the price of two good quality of men shirts. It means that the amount of money spent on online shopping is usually low in total expenses (Table 3).

Respondents were also asked via open ended questions about their own past experience with online shopping their perception on online shopping. The study found that, price information is the most important thing to the respondents in searching for products services. Respondents shop online because it is convenient easy. Respondents also shop online to avoid the hassle of physically going to a store this saves their time.

In terms of concerns in online shopping, it is found damaged or defect products or failure of delivery are the top two main concerns. Concern on the problem of exposure in privacy or credit card number is the second on the list. This is followed by the cost of delivery the difficulty in returning or exchanging goods. The least important concern is the ability to directly communicate

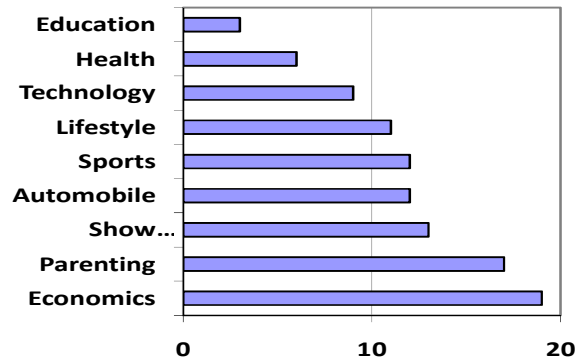


Figure 2. Types of e-magazines subscribed.

Table 3. Online purchase pattern made in the last 12 months, monthly income.

| Monthly income | Purchases made online | | Total (%) |
|----------------|-----------------------|----------------|------------|
| | 0-5 times (%) | 6-15 times (%) | |
| RM 4000 below | 47 | 21 | 68 |
| > RM 4000 | 21 | 11 | 32 |
| Total | 68 | 32 | 100 |

with salesperson.

Demand for e-magazine

As shown in Figure 1, the market for print magazines is relatively small as reflected by a big portion of non-buyers. It is found that, 36% of respondents do not subscribe to any copies of e-magazines within a year. Only 28% of respondents have subscribed between six to ten copies of magazines during the past year, while 25% have purchased between one to five copies. The results show that the younger consumers (below 36 years old) subscribed more e-magazines than the older consumers. It means that, there are specific needs interests among e-magazine readers. Figure 2, depicts the types of magazine usually purchased by respondents. The results show that, most of the respondents (19%) bought read business finance-related magazine. The second favorite magazine is related to parenting family magazine (17%), followed by entertainment (13%) sport automobile-related magazine (12% each). The high frequency of purchasing money-, parenting- leisure-related magazines reflects the lifestyle of the middle-income group who emphasizes the importance of managing their careers family as well as their hobbies.

Most of the respondents were more interested in free gift offered by the magazine publishers when they subscribed to the magazine. The respondents also

agreed that, they were more likely to subscribe to e-magazine if it was available on the internet at a competitive price, significantly lower than the traditional print magazines.

IMPLICATIONS

Based on the results of the internet usage, online purchase demand for e-magazines, it is found that pricing is a major consideration when people shop online. This is not a surprising result, as studies have shown that, online consumers are not different from traditional consumers (Chevalier and Goolsbee, 2004). Therefore, the price of e-magazine should not be significantly higher than the normal print magazines.

Delivery is another main concern in online shopping because delivery pricing guides, delivery guarantees schedules are important to online consumers (Thomas et al., 2006). It is suggested that, a highly reputable international courier service company is used in order to manage the delivery of products. In general, the survey results are consistent with past studies in the context of e-shopping. For instance, consumers in the middle to high income group are the highest potential of buying e-magazine the amount of time spent on browsing in the internet has influence on online purchase.

They are also willing to buy both the print e-magazine if both versions are available. Although the size of

e-magazines is fairly small, it is a niche market that has potential for the magazine publisher to explore in future. Even though the cost of producing information goods, that is, (e-magazine) is considered foregone once the goods are released, the relevance of the internet as a medium of communication cannot be ignored. Firms that are involved in producing information goods have to be more creative in attracting consumers' attention. As suggested by Carrol and Mui (2008), most of the business failure is due to lack of flawless strategy not due to poor execution or external factors. Therefore, local publishers should carefully review the strategy for the implementation of electronic magazine. The results of the study, offer several recommendations to firms involved in the magazine publication as well as to the authority.

First, magazine publishers must carefully bundle price their products accordingly as local consumers, like elsewhere, are price sensitive in nature. The content of e-magazine should be as interesting as the print version. Nowadays most of the major newspapers display on their website a glimpse of the actual content of the print newspapers. The interested online readers will be charged accordingly if they want to read more. Magazine publishers could use similar strategy. Unlike newspapers, people are more interested in keeping the magazines in their offices or home for display decoration. It means that people are more likely to buy both the print online magazines. Therefore, magazine publishers should offer an attractive pricing package so that e-magazine readers would be more interested in buying the magazine's print version. As suggested by Bakos and Brynjolfsson (1999), the strategy of offering different bundles of information goods for different market segments can be surprisingly profitable, due to its very low marginal costs of producing information goods.

Second, since consumers are price sensitive, the price of e-magazine should be slightly cheaper, giving them option to purchase print magazine at discounted price. Interesting contents that have audio video streaming could be offered together with the reading material. The combination of text, audio, video products could be bundled priced accordingly to attract online consumers to stay longer online. However, publishers should always keep their cover price competitive with the rivals. In short, the publishers should exploit the potential benefits of the internet by integrating the contents e-magazine print magazine (Kanso and Nelson, 2004).

Third, magazine publishers should improve their delivery of print magazines because the delivery of products services is one of the main concerns in Malaysia. Failure to deliver the products services will severely affect the publishers' reputation consumers' trust (Corbitt et al., 2003). The lack of physical infrastructure for the delivery of goods to consumers

could be solved by engaging a reliable firm involved in the business of courier, transportation delivery of goods.

Fourth, as consumers are interested in free gifts, magazine publishers should offer free gifts to both print magazines e-magazine buyers. However, the publishers should exercise cautious because the literature shows that free gift has the potential to attract consumers to purchase the product at the same time it could also signal the quality of the product (Raghubir, 2004). It means that, giving away free gift could work both ways either positive or negative effects. Effectively, the study recommends that, e-magazine should act as a complimentary to the print magazine not as a stand alone product.

Fifth, magazine publishers should increase their channel of online media distribution. As mobile phone is advancing with 3G technologies, mobile phones are now capable to have similar functions with personal computers. As the prices of mobile-related products are becoming more affordable, magazine publishers should take initiative in exploring the new technology. It means that the publishers should make sure that the contents of their e-magazine are accessible using various mobile hardware. Finally, the government's authority should have stronger enforcement of law so that, consumers are well-protected, feel more secured have more confidence in online shopping. Efficient protections for online consumer contracts are important to attract consumers to shop online as well as to allow vendors to compete online more effectively (O'Hara, 2005).

Conclusion

In summary, consumers buy print or e-magazines due to their special interests needs as well as the physical presence of the print magazine itself. In this exploratory study, the results show that, there is a potential in the publishing of electronic magazine, although the take off adoption rate is expected to be slow in an emerging economy such as Malaysia. Therefore, the study reveals that, the presence of e-magazine as the virtual version of the print magazine is seen as a catalyst to attract consumers to purchase both versions of magazine.

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