VISTAR

A NEW PLAN TO DRIVE GROWTH
Dear Vistar,

Our team would like to thank you for this opportunity. As business students, working with your magazine has been an exceptional experience and each of us have grown from it. We hope that the recommendation and research below will benefit your business and create an additional revenue stream for the company. We are excited to watch Vistar grow over the next few years.

If you have any questions about the report, or would like more information, please feel free to reach out to our team by emailing aarena@iu.edu. More graphics and information can also be found in the slide deck accompanying this report.

Our team also wanted to thank Professor Dayton for facilitating this partnership. It is rare to meet a Professor who is so invested in developing both his students and the businesses he works with. His guidance was truly vital in creating this report and learning more about business in Cuba.

We wish you the best and are excited to hear your thoughts on our recommendation.

Sincerely,

Allison Arena  |  Victoria Anderson  |  Tom Bolstad  |  Helen Su  |  Justin Romic
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OVERVIEW

Vistar is a magazine that specializes in everything “Cuba”. It is a magazine that showcases the Cuban way of life by showing off the news, music, culture, and lifestyle of famous Cuban people. The magazine goes into extensive articles about famous Cubans and how they’ve made marks in America, Cuban singers winning Latin Billboards, and the impact of Cuban culture worldwide. Vistar, essentially, is the living form of Cuban pop culture. Vistar is a highly connected magazine. It often showcases videos from youtube on front page that have to do with humor, or it showcases contests that Cuban people can win if they participate. This magazine is not a look at actual life of real Cuban people living in Cuba, as it is more like the “Vanity Fair” of the U.S. It focuses on the best that Cuban life can be by showing Cubans how Cuban celebrities have succeeded. The magazine, however is struggling in the rising Cuban economy.

In Cuba, the fall of the Soviet Union led to Cuba being completely separated from the outside world for decades. Because of this separation, the Cubans had to try and live off of what the government could provide for them, but when monthly salaries are $30 or less, it doesn’t work. So, the Cuban people had to learn to fend for themselves and create a “Dark Market” or a private market where Cubans have private businesses and can trade with each other directly. In the eyes of the Government, these acts are illegal, but it is the only way people can survive.
This private market is what we are dealing with in the Cuban economy right now. Within this up and coming private market, we find Vistar, an up and coming private magazine company. With the highly connected magazine and smooth website and widespread coverage that this magazine provides, it would make sense to believe that this magazine is prospering. However, it is currently stagnating.

Vistar is having trouble locating a solid stream of revenue. As of right now, the magazine is struggling. Typically, magazines make money by circulation, subscriptions, advertising, and photography. The magazine is currently stuck within Cuba. The island provides only a small specific audience compared to other worldwide big name magazines. Yes, Vistar focuses specifically on the Cuban people, but when the average salary of a Cuban worker is $30, it is tough to find enough Cubans that are willing to purchase a high quality magazine much less subscribe for monthly deliveries.

As for advertising, the Cuban private businesses can only have access to so much advertising as there is much governmental regulation that occurs in this aspect. As for photography, Vistar has a force of essentially free-lance photographers that provide the photos for their magazine, but then then Vistar doesn’t really do anything with these photos.

There is a missed opportunity for great sales here if the magazine wanted to sell photos.
Lastly, Vistar has found that operating expenses have become quite high with trying to operate a high quality business within Cuba. The employee turnover rate has been a little detrimental to business and not being able to pay the workers a decent wage because the magazine isn’t making enough money has driven employees away.
RECOMMENDATION

Vistar has found great success as a premier Cuban magazine. To continue to drive this growth over the next few years, it is important the Vistar takes advantage of new markets and possible additional revenue streams. Our team believes that Vistar can increase their revenue and profits by selling photos to other magazines, travel businesses, and similar organizations that want, but do not have access to, the most beautiful, personal, and authentic aspects of Cuba’s culture.

With our recommendation, Vistar will take advantage of their existing network of freelance photographers. Photographers will come to Vistar with photographs of Cuba’s geography, people, and cultural events that are challenging for outsiders to gain access to. Then, Vistar will reach out to organizations such as Shutterstock, Lonely Planet, and National Geographic, to sell these photos for a fee. Vistar will pay the photographers a portion of what their art sold for and keep the remainder.

We believe that this business model will allow Vistar to establish important relationships within the United States market while keeping costs low. Because Vistar is not paying their photographers until the art is actually sold, the company will not have to be concerned about cash flows. Additionally, this will inspire a competitive energy between the freelance photographers, as their payment is contingent on the quality of their work. Photographers already working with Vistar will have additional economic incentive to capture the best views of Cuba.
Organizations in the United States will be interested in this proposal for a number of reasons. To begin, travel businesses, such as Lonely Planet, would be eager to get a better view of Cuba. Lonely Planet is well-known for their high-quality photography and their marketing strategy is heavily dependent on their ability to show possible travelers the best of what they can see in a country. Although relations between the U.S. and Cuba are in flux, it has become significantly easier for United States citizens to visit the country. It would be costly and difficult for Lonely Planet to send their own photographers to capture the country through film, but the business could see major gains by purchasing these photos from a business like Vistar.

Similarly, National Geographic is renowned for their photography. In fact, many subscribe to the magazine to get a glimpse into beautiful, far-away countries. Providing subscribers with an authentic view of Cuba, a country that few will have the time or resources to travel to in their lifetime, could give National Geographic a significant competitive advantage. Additionally, both National Geographic and Lonely Planet could be motivated by the opportunity to establish a relationship with a business in Cuba. Both companies will want to expand into Cuba as the relationship with the United States becomes more normalized, so this could be a strong, safe first step.
Finally, an opportunistic relationship with Shutterstock would prove mutually beneficial. While Shutterstock is less motivated by individual consumers, Cuba would be a fresh market to pull content from. Additionally, Cuba could provide unique photographs as a country in transition, with competing economic policies and incredible culture.

This recommendation would provide Vistar with a reliable, significant additional income stream. The recommended businesses would be stable partners and Vistar would not have to worry about receiving payments as agreed upon. Additionally, because of the utilization of their existing network of photographers, Vistar would not have to increase their costs to acquire new resources. Instead, Vistar would simply pay photographers a portion of their earnings, eliminating any risk or uncertainty due volatile revenues. We are excited to see how this recommendation can help Vistar grow.
NATIONAL GEOGRAPHIC

National Geographic is a successful company that has ended the year 2016 with the revenue $73,696 million due to the reorganization and new marketing strategy (National Geographic Society). Half of the financial resources the company has acquired is from Joint Venture Partnerships; therefore, collaboration with other projects acts as its central source of income also being the guarantees that the corporation will stay sustainable. The business strategy of National Geographic is based on the connectedness to the audience and its attraction. As a result, the company conducts constant surveys and invests in the growth of the hierarchy of subjects so that every visitor of the website or a reader of the magazine can find something interesting (National Geographic Society). Additionally, the company concentrated on different products to cater to the diversity of the audience and has obtained a respect in scientific circles. The easiest way to contact the firm is through the website because National Geographic is open to any communication, which is how the company tries to remain significant for society.
SHUTTERSTOCK

Shutter Stock is a company that helps others with the visualization of their marketing strategies. In 2017, the revenue of the company increased revenue to $557.1 million. Its primary source of revenue is sales to other firms (Shutterstock, Inc.). It helps to transform marketing strategy and move them closer to the audience with the help of images and graphs. Thus, Shutter Stock focuses on increasing its database and the collection of the content that is relevant for various directions. The company is based online; therefore, the Internet is a central source of communication with its representatives. Each inquiry receives an answer because of the role of customers in the development of the business. In general, it adjusts compelling content to the demands of clients and satisfies their interests in revenue because of the success of sales campaigns (Shutterstock, Inc.); that is why it works in two directions. The enlargement and the increased ability to complete orders are shaped by the current situation and desires of individuals. Therefore, it bases on its experience and the organization of the activity regarding the demand.
LONELY PLANET

Lonely Planet is another player on the market of travel guides that suffered from the lack of connectedness of the customers and high competition. BBC sold the company because it led to significant losses and was not sustainable anymore. Lonely Planet then got a chance to develop independently while growing into one of the leaders on the market. The revenue of the company in 2016 was £17.2 million, and it continues to grow in significance (Onwuemezi). Its business strategy is to concentrate on customers and provide them with the information that is significant to them. As a result, the company focuses on the background that is necessary for traveling while adding other rubrics that may also be beneficial for their customers. However, the company also emphasizes the value of additional personal recommendations after experiences because individuals are the central source of information for it. Therefore, the purpose of Lonely Planet is to increase the number of travelers and collect their ideas. The company is also based online because of the number of individuals that it has to communicate and help others in providing pieces of advice.
RISK MITIGATION

While we believe that there is a great opportunity presented to Vistar in selling their photos to other organizations, there are obvious risks associated with this plan with varying levels of severity and possibility of occurring.

First off, as with any private business in Cuba there is a large risk of interference by the Cuban government. How this interference would present itself is hard to say given the secret nature of the Cuban government, however this risk should be acknowledged and hedged against to the best of Vistar’s ability. This risk could magnify itself if Vistar were to do business with countries such as the U.S., given the strained relationship between the two countries ever since Trump took office. Given this, Vistar should keep in mind which countries the companies they are doing business with operate in. This is not saying that Vistar should avoid doing business with companies based in the U.S., we are actually proposing the opposite. They should simply keep in mind this risk.

Transitioning into the business plan itself, the biggest risk of our proposal is simple: other companies won’t want Vistar’s photographs. While we don’t see this being a very likely case, there is always the threat of low demand in the market, which in this case would significantly hurt Vistar in their efforts. Our entire plan is based off the fact that there is a high demand for the beautiful pictures of Cuba that Vistar has, however for a whole host of reasons this could not be the case. Additionally, there is the risk of the photographers that Vistar employs not performing up to Vistar’s standards. This is a relatively low risk, as if this problem where to arise Vistar could simply hire other photographers.
IMPLEMENTATION

In the beginning of this project, Vistar will reach out to photographers and let them know of their new initiative and outline the incentives in the plan for them. This should take about 2-3 months for the word to spread. Towards the end of this time frame, Vistar will begin to reach out to the companies it wishes to sell these photographs to and explain their plan to them. They will start with their target companies, such as Shutterstock, and branch out to other non-target companies from there. After this step has been completed, which we estimate will take about 1-2 months, Vistar will begin the sale of their photographs to these companies and launch their new program. We believe Vistar will achieve organic growth once their photographs hit the market, as companies and consumers become more exposed to these photographs demand will increase and Vistar will be able to expand its company base which it sells to.

In summary, the implementation of our plan is relatively straightforward and quick – we anticipate Vistar could have this program up and running within 3-5 months of starting the process. Given this short time frame and the relatively low level of risk associated with our plan, we are excited to see what Vistar could accomplish through this program.
FINANCIAL ANALYSIS

We believe that selling the images that Vistar uses in their magazines to companies like National Geographic, Lonely Planet, and Shutterstock can provide them with significant additional income. This idea will cost nothing to Vistar. It will be beneficial for them, provide additional income to Cuban photographers, and be a cost effective option for companies like National Geographic and Lonely Planet as opposed to sending freelance photographers on expensive assignments.

According to bizfluent, National Geographic’s “Traveller” magazine’s day rate for freelance photographers is $425. With the average assignment lasting 12 days, National Geographic “Traveller” would pay a photographer approximately $5,100 not including food, lodging, and other expenses that photographers may incur.

Based on these estimates we believe that Vistar can charge anywhere from $500-$1500 for a single image sold to National Geographic, Lonely Planet, and other travel companies. The exact amount will depend on the quality of the image. Vistar would then give the photographers who took the images 20%-30% of those profits each time an image is resold. We believe that the photographers would be pleased with receiving this amount because they would be getting paid each time an image is resold and they are already receiving revenue when they take the images for print in Vistar’s magazine.

Although $500-$1500 may seem expensive for a single image, it is actually much more cost effective for a company like National Geographic. By purchasing images from Vistar they avoid paying for food, lodging, and other expenses. They also get photographs taken by Cuban people, which will provide an authentic view into Cuba.
We are excited to see Vistar’s growth in the coming years. Please reach out with any additional questions that were not answered in this report.
WORKS CITED

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