



Harlequin once melted the hearts of women around the globe. Now **Donna Hayes** must revive flagging sales by targeting readers with an aim as precise as Cupid's. Sci-fi romance, anyone?

# LOVE

Finding **LO** Again

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By David Hayes

PHOTOGRAPH LIAM SHARP

◀ Harlequin's Donna Hayes: "We're a women's fiction publisher. In the past, the word 'romance' would have been in there"

**T**o understand Harlequin Enterprises Ltd., the world's most successful book publisher, you must meet senior product manager Laura Morris. She's sitting with three other women in a small boardroom on the fifth floor of the romance publisher's decidedly unromantic corporate headquarters in a Toronto suburb. With the deadline approaching for a slate of marketing campaigns, Morris is catching up on plans for a new line of books called Luna.

In black spike-heeled boots, charcoal pinstriped skirt and red blouse with stylish French cuffs, Morris looks like she stepped out of a Harlequin cover herself. She's leading a discussion ranging from cover images and discount coupons going out to 400,000 direct-mail customers to ads that will run in everything from specialty publications like *Romantic Times* to *USA Today*.

"Oh, good, awesome, love it," she says as she surveys a mock-up off a poster advertising the new imprint to retailers. A ghostly woman in white, wearing a crown of leaves, is standing in a forest at night holding a glowing Luna logo. Above her, a tag line reads, "Discover the new face of fantasy...and a world you can only imagine...." The bottom half of the poster is dominated by images of the first seven books being published. To kick off with a bang, the company has acquired manuscripts from Mercedes Lackey, Catherine Asaro and Sarah Zettel, all brand names in the fantasy and sci-fi genres.

Science fiction? You heard right. Harlequin has long produced finely calibrated subcategories of its bestselling book lines, but now it's narrowcasting with a vengeance: Luna is romance, to be sure, but romance that is out of this world. It's just one of a bevy of new imprints designed to cement Harlequin's hold on the hearts of women readers around the globe.

After her colleagues have murmured their approval, Morris says, "This is so cool. We've got 'The new face of fantasy,' which is our trade-launch tag line, as well as 'A world you can only imagine,' which is the line we'll probably be using on the books themselves. The imagery reinforces Luna's positioning as a bridge between the fantasy and romance genres."

This meeting shows what I'd call the Harlequin Method at work. It's all about paying the kind of attention to marketing that you'd expect from Unilever or General Foods or indeed in any industry other than book publishing. Harlequin, with its muscular commerciality, has always been an anomaly, especially in Canada's high-brow, high-subsidy industry.

But in late 2004, there's a hint of panic around Harlequin, hard to hide after three consecutive quarters of declining sales and profits. In the second quarter of 2004, the company's revenues decreased 17%, representing a \$9-million

drop from the second quarter of 2003 (and a \$21.9-million drop in year-to-date revenues, from \$295.1 million to \$273.2 million). All of which hurts parent Torstar Corp. Some of the slide can be blamed on currency exchange, as Harlequin's foreign sales are translated into Canadian dollars. Another factor, especially in the critical U.S. market, is that paperback specialists like Harlequin have lost sales because of the boom in hardcover blockbusters—surprise hits such as *The Da Vinci Code* (\$8 million in sales), *The Purpose Driven Life* and Bill Clinton's *My Life*. Add to that a growth in women's fiction of every description, which almost every publisher is striving to get a piece of, and there is a lot of competition for readers, including readers of traditional mass-market romance novels, Harlequin's bread and butter.

"That affects us because 90% of what we produce is in the mass-market paperback format," admits Donna Hayes, Harlequin's chairman and publisher (and no relation to this writer). "Our readers read our titles, but they read other people's titles as well, and all these big books dominating the bestseller lists don't work in our favour."

Still, as one Bay Street analyst observed, Harlequin only appears weak "when it's compared to its own performance." Coming off seven years of double-digit growth (for example, the company posted 2002 revenues of \$618 million and operating income of \$127 million), Harlequin remains the world leader among paperback publishers in the romance genre, an industry that generates roughly \$2 billion-plus in global annual sales. Harlequin produces more than one-third of all fiction titles in North America and more than half of all paperbacks, selling them through retail outlets, direct mail and the internet. Despite almost constant innovations to its product lines, the Harlequin name is still synonymous with cheesy bodice-rippers, what some describe as books for people who don't read.

Executives at Torstar have long known that it was Harlequin, not the *Toronto Star* or any of the company's other newspapers, that was the licence to print money. At one time, when there were few competitors in romance and Torstar had fewer divisions, Harlequin accounted for four-fifths of the parent company's operating profits. Today, it still is counted on for more than a third, which suggests the recent setbacks must be causing some sleepless nights for Hayes and Torstar CEO Robert Prichard.

Harlequin's battle is being waged in 27 languages, via wholly owned units, joint ventures or licensees in more than 100 markets, from Antigua to Zimbabwe. Hayes is determined that Harlequin will again generate return on sales of 18%, a performance that prompted Roger Martin, dean of the University of Toronto's



Harlequin started out in the 1940s reprinting titles like *The Manatee* (its first book) and *I'll Be with You*. The '50s brought the slightly racier *Nine to Five* and *The Lonely Shore*. By the time of *Rendezvous in Venice* (1978), sales were nearing 200 million books a year

Rotman School of Management, to call it the “only really efficient book publisher in the world.”

Harlequin is best known for its series romances: small, inexpensive paperbacks, published monthly and sold on racks in drugstores and supermarkets, more like magazines than books. The names of the categories—Superromance, Intimate Moments, Blaze—are more important than the names of the authors. At the end of each month, a new shipment replaces the old.

Even before the setbacks of the past year, made obviously the need for another update to that publishing style, Hayes, a 19-year veteran of the company, had begun a program of rapid expansion. It's driven by a desire to attract younger women (who think of Harlequin as stodgy), and a recognition that although series fiction continues to be the heart of the company, the greatest opportunity for growth is in the much broader genre of women's fiction. The effort fits into Harlequin's tradition of doing whatever's necessary to keep abreast of the market, and indeed the campaign to go beyond the romance racks in the drugstore predates Hayes's ascension to publisher: Under the Mira imprint, introduced in 1994, Harlequin authors are writing everything from complex psychological novels to historical fiction and thrillers. Mira titles have appeared on *The New York Times* and *USA Today* bestseller lists, a feat impossible to imagine of the old Harlequin. Hayes recognizes that women's fiction is twice as large as the romance market but represents only 7% of Harlequin's North American sales, so the potential for growth there is enormous.

Hayes's 2004 program has included the launches of Luna, and Silhouette Bombshell, the latter dedicated to action-adventure stories modelled after Lara Croft in the *Tomb Raider* films or TV's *Buffy the Vampire Slayer*: “strong, kick-ass heroines...in high-stakes situations,” as the company put it. In August Harlequin christened HQN, which publishes what are known within the company as “big, fat romance” novels, acting as a bridge between Mira and the monthly romance series category. *Renegade*, one of HQN's launch titles by long-time Harlequin author Diana Palmer, made its debut at No. 13 on *The New York Times* bestseller list. And in October, the company unleashes Steeple Hill Café, an “inspirational hip lit” imprint serving the lucrative Christian market.

an underdeveloped market, Harlequin bought Mills & Boon and its stable of about 100 romance writers, many of them top-sellers in the genre. Early on, executives with backgrounds in the packaged-goods sector started selling Harlequins like soap or floor wax—not in bookstores, but in the drugstores and supermarkets where women shopped.

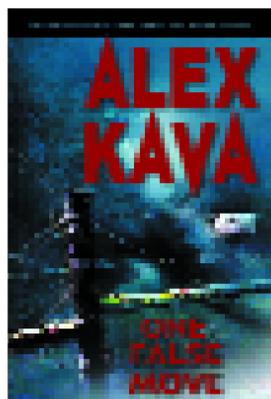
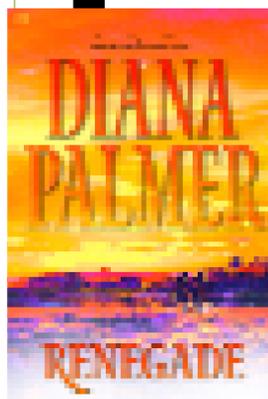
By 1981, when it became wholly owned by Torstar, Harlequin was selling 200 million books a year. It began diversifying into subgenres that reflected changes in attitudes around morality and sexuality. The company could identify these changes thanks to its own love affair: market research. Harlequin books are produced within tightly defined parameters. Any senior manager or editor can parse the demographics and psychographics of readers for each of the company's niche categories. When they discuss the distinctions among Silhouette Intimate Moments, Silhouette Romance and Silhouette Desire, it's as arcane as baseball fans debating on-base percentage versus batting average.

Like the plot of a romance novel, the Harlequin story has never lacked complications. Earnings were slipping in the mid-'90s, when a little book called *Bridget Jones's Diary* traipsed along. Helen Fielding's worldwide bestseller about a single girl's nightmarish dating life spawned a hit Hollywood movie and singlehandedly created the “chick-lit” genre. Seeing Penguin's success with *Bridget*, other mainstream publishers jumped on the bandwagon, poaching some of Harlequin's bestselling authors along the way. Harlequin suddenly appeared about as hip as your granny and only a little younger. (The average age of Harlequin's readers, which had been 39 in the early '90s, had aged almost a decade.)

The turning point was 2001, the year Hayes was appointed publisher. (She's the first woman in the job.) Hayes had been part of a team that developed Harlequin's own chick-lit line, Red Dress Ink. Red Dress books are published in the larger, trade paperback format at a higher price than most series romance, and feature stories about single women (falling squarely within the 18-34 demographic). The classic components are career challenges, club-hopping, dating (good and, more often, bad) and casual sex that usually doesn't lead to marriage. The books are sold in bookstores, not alongside the series romances on Harlequin racks in supermarkets and drugstores, because research showed that's an environment shunned by Red Dress's target readership, at least as far as book-buying goes.

Ideas like Red Dress have often come from within the lower ranks of Harlequin, but Hayes formalized the bottom-up process two years ago. Two teams of about a dozen people each, drawn

Harlequin began in 1949 as a Winnipeg-based reprint house: It bought the rights to books from abroad and published paperback versions in Canada. By the late '50s, the company was buying titles from Mills & Boon Ltd., a British romance publisher. In 1971, recognizing



Harlequin's many-armed publishing program now blends romance with other genres, such as (from left) Western, action, thriller and fantasy. The Flipside series, meanwhile, is one of several efforts to capture the “chick-lit” market

from throughout the organization, are asked to generate ideas for lines or imprints—including an editorial “personality” and marketing rationale—over six months. The groups are told to do the obligatory market research and are free to organize conference calls with Harlequin staff anywhere in the world; in special cases, they can even fly in an expert from elsewhere in the company. The first of these “innovation-group” sessions produced the blueprints for Luna, Silhouette Bombshell and Flipside, the latter a hip, urban romantic comedy series billed as the book equivalent of TV shows like *Friends*. Flipside is in fact a makeover of a faltering romantic-comedy book series called Duet, which in turn was a rethinking of an even earlier, equally unsuccessful, line. “The lesson there is that the key to innovation is to keep trying things,” said Hayes last year. Proof of those words: Flipside, born a year ago, has already been deemed insufficiently popular. The series will be ended next July.

Next year, two more new product lines brainstormed by innovation groups will be inaugurated: a four-book-per-month series focusing on women entering a new stage in their life (which the 48-year-old Hayes is a particular fan of), and Love Inspired Suspense, a mystery arm of the popular Love Inspired series.

You’d think that all of these product lines might cannibalize each other, but that’s not the case. Alan Middleton, a marketing professor at York University’s Schulich School of Business and an admirer of Harlequin, says that’s because the company practises a new marketing approach known as “time-place-orientation” (TPO). “What Harlequin understands is that consumers can adopt different mindsets and personas depending upon the time, place or occasion,” explains Middleton. “TPO recognizes that we’re a lot more complex as individuals. I think Harlequin’s insight is that not only are there different segments of female consumers with different buying powers in North America and around the world, but the same women on different occasions and at different times will be in different moods.”

**B**ack at Harlequin, the marketing meeting ends and Laura Morris turns to explaining the tactics behind the launch of Luna. Much of the early promotion, like the poster and teaser campaigns Morris reviewed during the meeting, was designed to provide the sales force with tools to use on buyers in the trade. At around the same time, the series got its “trade launch” with prominent ads in industry publications like *Publishers Weekly* and splashy presentations at influential events like BookExpo America. Another element in the pre-publication campaign was “announce kits” containing the first three chapters of the first three books being published. “We’re answering the questions, What is this editorial, why is it different, why am I going to want it?” says Morris. The kits also included tarot cards (with messages on the back reinforcing the personality of the brand) and a tiny bag of crystals.

All of this is fairly standard book-industry procedure, albeit turbocharged in the Harlequin way. What’s more exceptional

is the on-line marketing that kicks in next. Harlequin focuses relentlessly on nurturing the relationship between the brand and its customers through a direct-to-consumer program that includes one of the most effective e-commerce sites on the internet. It fired up a dedicated Luna website and began working with New York’s Electric Artists, which specializes in on-line “viral marketing” (a.k.a. guerrilla, or community, marketing). The idea, explains Morris, was for Electric Artists to tap into community leaders, or “taste-makers,” who often host websites or lead on-line communities. The search targeted web destinations popular with young women likely to be readers of fantasy, paranormal or science-fiction novels, such as sites featuring on-line gaming on those themes. “It could be a paranormal romance website with 200 members,” says Morris. “They talked to them about the content we have that they could put on their sites. We provided sample chapters or a book, free swag, like the crystals or posters or bookmarks, and they were encouraged to start talking about Luna within their community. It’s a very word-of-mouth kind of thing.

“Brand personality is behind everything we do. The packaging, the poster and all the communication to the trade, customers, on-line communities and the media must reinforce the message, which is magical, powerful female spirit, with a romantic undertone or potential for romance. And beautiful. We want the books to have beautiful covers because I like beautiful things and I don’t know a woman who doesn’t.”

In Harlequin’s world, women everywhere also share the same taste in storytelling. Even the covers usually remain the same in different countries (although category names often change). Part of the attraction for readers is the volume of books Harlequin produces—what one sales executive in the company calls “fresh lettuce.” Women everywhere know that if they like a certain kind of romance fiction—for example, suspense with a romantic subplot, which describes the Intrigue series—they can return every few weeks and find a new one. That’s why Harlequin’s advertising and promotion can communicate a single message everywhere. Last year’s “Live the Emotion” campaign, for example, was used around the world, although the choice of medium in each market reflected what the company has learned about what works best where: Print was emphasized in North America, radio in the United Kingdom and outdoor in European cities.

The third part of Hayes’s strategy, besides capturing more of the general women’s fiction business and attracting a younger demographic, is continuing to expand into new territories. As early as the 1980s, Harlequin had operations in the U.K., France, Scandinavia, the Netherlands, Germany, Italy and Australia. In the early ’90s, after the fall of the Berlin Wall, the company invaded Eastern Europe. Today, Harlequin is studying Brazil. It looks promising: A licensee is running a small but successful business; the economy is healthy enough to allow a large population of literate women to buy books; and an economic and legal infrastructure is there to support the business.

Executives know it’s Harlequin, not the *Toronto Star*, that is the licence to print money. The recent setbacks must be causing some sleepless nights for Donna Hayes and Torstar CEO Robert Prichard

On the last score, however, they might want to check with another Canadian company, the brewer Molson, which made a big bet on Brazil only to discover that the market was more opaque than it seemed in advance. Indeed, Harlequin's overseas record hasn't been without disappointments. In 2001, the company withdrew its pioneering investment in China without having earned a profit after six years of effort. The same year, its venture in the Czech Republic, which had racked up significant losses, was rolled into the Polish operation.

Italy, on the other hand, is an interesting example of the Harlequin Method at its most successful. There, Harlequin is in a joint venture with Mondadori, a major publisher. (The partnership, combining the first half of each company's name, is called Harmony.) It's led by an aggressive and imaginative managing director, Laura Donnini. "There is no awareness of a category called 'romance' in Italy," she says. "There is no 'romance' section in a bookstore. Having said that, what is synonymous with romance in Italy is Harmony, which are the Harlequin series romance books."

The challenge in Italy was starting up Harlequin's single-title imprints, Mira and Red Dress Ink. The short (average: 160 pages) series romance paperbacks sell in kiosks, and although there are millions of repeat customers, Donnini points out that the core reader's average age is 40, and among some, there is a stigma attached to the books: The inexpensive paperbacks are considered to be downscale, "not to be real books."

Mira, the women's fiction imprint which, in Italy, will consist mainly of relationship novels, thrillers and fantasy books from the Luna line, was launched there in 2003 as *I Chiaroscuri* ("The *chiar* means 'light, more romantic,'" says Donnini, "and *oscuri* means 'dark,' representing the more *noir*, thriller titles.") The logo is an image of a lamp that the company commissioned from a designer, and is accompanied by a tag line that translates as "The books you can't switch off." Since Harmony had no profile in bookstores and because it had the three-dimensional version of its logo at its disposal, Donnini arranged for 500 bookstore windows to display the lead title—Alex Kava's *A Perfect Evil*—along with the lamp. And in five major bookstores in Milan and Rome, young women sat in the window and read the book for 24 hours, attracting enormous publicity.

The Red Dress Ink imprint, meanwhile, was introduced with Sarah Mlynowski's *Milkrun*. The title refers to a slow train that makes a lot of frustrating whistle stops—a nice metaphor for dating. The cover on the successful North American edition depicted a milk-filled martini glass against a background of cows grazing in a pasture. There was a problem: "The title is sort of slang, an expression that's very difficult to translate," explains Donnini. An alternative title, *Single Jungle*, was suggested by one of her employees. Reading the book, Donnini noticed that the heroine was always drinking martinis and reading *Cosmopolitan*. That gave her an idea.

First she approached Martini & Rossi about sponsoring the launch, suggesting that it would be a good opportunity for some

joint publicity, what with Red Dress Ink targeting the attractive demographic of young, bar-hopping career women. The cover became a martini glass filled with red vermouth against a background of jungle animals, and Martini & Rossi provided Donnini with its glamorous Terrazza Martini bar in Milan for a launch party. Then Donnini approached Italian *Cosmo*, which agreed to buy advance copies of the book, at cost, and polybag them with 200,000 copies of the magazine. A few weeks later when *Single Jungle* landed in stores, "everybody was looking for 'the martini book,'" says Donnini. Since then, she has done co-marketing programs with other brands, like the scooter maker Vespa and the cosmetic giant L'Oréal. So long as the main character or plot has something to do with a brand or product category, Donnini says, "anything is possible."

**Y**ork's Alan Middleton isn't surprised by Harlequin's obsession with marketing. "In one sense, books are like packaged goods," he says. "But they're also a bit like beer. Beer is also a packaged good, but there is a romance and a mythology and a mystique around beer, just as there is around books. That affects the way you approach your brand and your marketing strategies. And Donna Hayes understands that."

She also understands that setbacks like the past three quarters—and the weak results are expected to last until at least the end of this year—require action. "Am I happy about the fact that our sales are 6% lower than they were last year? No, of course not. But I think we're doing all the right things to get back on track. Can we create sustainable growth for Harlequin in the future? Yes."

One afternoon some months ago, Hayes sat in an anteroom adjacent to her office, presiding over piles of books and promotional paraphernalia relating to Luna, Bombshell and HQN. After talking about Harlequin for 90 minutes, she looked exhilarated, rather than exhausted. Romance novels have evolved from being dreamy, with absurdly happy endings, to being more realistic tales documenting the ups and downs of women's lives—experiences Hayes, as a modern career woman, can relate to. Okay, the writing in Harlequins is often still a bit purple, and the plots and characters seem to have been poured out of a mold, but at least they frequently depict women as strong individuals who have more going on in their lives than the need to be made whole by a man.

Hayes is sure that the company's future rests on the Harlequin Method. Leaning back in her chair with a satisfied smile, she says, "Strategy is about making choices, about doing certain things and not doing other things. But you, and everyone in your organization, have to understand your mission for everything else to work. We're a women's fiction publisher. In the past, the word 'romance' would have been in there. We still publish romances, but if you want to know what we are as a company, we're a women's fiction publisher. Our rallying cry is world domination in women's fiction." 

Under the Mira imprint, authors write everything from historical fiction to thrillers. They've even landed on *The New York Times* bestseller list—a feat impossible to imagine of the old Harlequin