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Volume XII, # 22

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2007: THE YEAR IN REVIEW: *Part One**

January 8: Magazine Information Network (MagNet) is building its own propriety data collection and reporting system....Advance Marketing Services (AMS), the primary book distributor to warehouse club stores, filed for Chapter 11 Bankruptcy protection....*FHM*, published by Emap Consumer Media, said current edition will be its last....Hachette Filipacchi Media U.S. announced it would cease publication of *Shock* magazine.

January 15: Magazine advertising pages were down 2.2% in December, but even for all of 2006. Ad revenue was up 3.8% for the year....The Independent Press Association (IPA) ceased operating in late December....*The New Single Copy*

Late News: Hudson Group has sold a majority share of its retail operations, over 550 locations, including 400 Hudson News locations, to Advent International, a Boston-based, private equity firm. Existing management will stay in place.

said that in 2006, "There were more substantial changes in the magazine distribution channel than in any year since the late 1990's."

January 22: Time Inc. announced personnel cuts of 289, 117 on the business side. Company CEO, Ann Moore, said, "While we continue to invest in our core magazines, we

are also...broadening our digital capabilities in order to become a truly multi-platform publisher."...*Capell's Circulation Report* named *Men's Health*, a Rodale magazine, as the "best circulation performer for 2006."

January 29: Time Inc. sold 18 of its magazines - most of them from its Time4 Media division and the parenting group - to The Bonnier Group. Bonnier, a Swedish company, has a 49% share in World Publications....Bauer Publishing announced it will launch *Cocktail Weekly* September 2007. It will have a \$2.49 cover price....At The Source Interlink Companies, Chris Argentieri has been named senior vice president and managing director of its international subsidiary....According to *Supermarket News*, the five largest grocery retailers are, in order, Wal-Mart, Kroger, Safeway, Costco, and SuperValu. They represent an estimated 60% of the market.

February 5: Levy Home Entertainment, the book distributor, opened an office in San Diego, hiring six for employees of AMS, the wholesaler that recently went into bankruptcy....20% of magazines failed to make their advertising rate base in 2006, according to *Capell's Circulation Report*. It was the worst performance since 2002.

February 12: Primedia Inc. announced it retained two investment firms to explore the sale of its Enthusiast Media Group....Tesco, the British supermarket chain, said the stores it plans to open in the American southwest this summer will be named Fresh & Easy Neighborhood Markets. Each store will be around 10,000 square feet, larger than typical convenience stores....ProLogix Distribution Services East and West, joint ventures of the Anderson Companies and The News Group which were announced a year ago, delivered a progress report on their activities to the board of the International Periodical Distributors Association (IPDA).

February 19: Harrington Associates' review of the 2nd half 2006 reports of the Audit Bureau of Circulations (ABC) and BPA Worldwide found that unit sales were up 1.6%. However, because of the success of several low-price titles, dollar sales rose a smaller 1.4%. As has been the case for the past few years, celebrity weeklies were the main engine of growth. *People* was up 2.1%, *Us* 2.4%, *In Touch*, 7.7%, and *Life & Style*, 25.3%. *Cosmopolitan* was again the leader in unit sales-per-issue with an average of 1.95 million at newsstand.

March 5: In a special "2006 Newsstand Performance Review" issue, *The New Single Copy* reported that, "For the third straight year, total magazine newsstand unit sales improved." The increase was 1.5% for the full year. However, because of low-price titles, total dollar sales rose only 0.85%. *People* magazine continued to be the leader in retail dollar sales with \$280.1 million, \$100 million more than runner-up *Us Weekly*. Supermarkets represented 49.3% of all magazine sales, while drugstores, bookstores, and discount stores each represented between 10% and 11%. Until 2005, discount sales also included super center sales figures from chains such as Wal-Mart, Target, and Kmart, but those numbers are now included in the supermarket category. *Cosmopolitan*, the largest selling monthly magazine at newsstand, 1.94 million units-per-issue, also had the industry's best sell-through figure, 67%.

March 12: For the first two months of 2007, magazine advertising page sales were flat, which included a 1.8% jump in February. Year-to-date dollar figures were up 5.5%. The April issue of *Premiere*, a Hachette Filipacchi Media U.S. magazine, will be its last....The attendance at the Retail Conference, held the week before, was around 550, almost identical to the previous year's event. Retailers honored for "Best Practice Awards" were H-E-B Grocery Company, Wegman's Stores, Safeway Stores, and The Kroger

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2007 in Review (cont.)

Company.

March 19: In looking at trends of 2006, *The New Single Copy* said, "by most broad measures, magazine retail sales improved in 2006. Still many observers are quick to dismiss the positive numbers as irrelevant and claim they camouflage a desperate sales environment. However, newsstand history demonstrates that overall numbers have always been skewed by the performance of a handful of magazines, in fact probably more so than they were in 2006. Of greater concern should be the long festering problems of the mass market magazine distribution channel." On the subject of improving sell-through numbers, it was said, "Too often, improved flow of data from retailers and wholesalers is used primarily to target new sales opportunities and only secondarily to eliminate returns. Most wholesalers feel they have the capability of improving sales and, also, improving sell-throughs. They also are convinced that, financially, they must do it, or not survive."

March 26: Costco Wholesale Club stores will be supplied with mass market paperback books by Benjamin News, Missoula, Montana....According to the Magazine Publishers of America (MPA), there were launch announcements for 262 new titles in 2006. Samir Husni, journalism professor, counted 901 new titles. MPA notes only those launches with a frequency of quarterly or higher.

April 2: Meredith Corporation announced it was shutting down the print edition of *Child* magazine....Grand Central Books is the new name of Warner Books, which was sold by Time Inc. to Hachette Livre in 2006....*The Magazine Retail Sales Experience*, an annual review from Harrington Associates, said that, "In 2006, total newsstand units sold were 1.449 billion, down 30.4% over 10 years, and down 3.4% over the last five. Dollar sales were \$4.852 billion last year, up 10.0% since 1996, and 10.8% higher than in 2001."

April 9: A review of cover price increases for the second half of 2006, by Harrington Associates, found, "Fewer publishers were willing to raise their cover prices. However, of those that did, a surprising number [39%] were successful in improving their average unit sales"....George Marcum was the recipient of Frank E. Herrera Industry Award, presented annually by the 25 Year Club.

April 16: Magazine advertising pages were up 2.0% in March. At the same time, the reporting organization, Publishers Information Bureau (PIB), announced that they would switch from a monthly release of data to a quarterly schedule....After a period of tremendous publicity, *Conde Nast Portfolio*, the business title from the publisher of *Glamour*, *Vogue*, and many other successful magazines, was launched. It had 332 pages, 180 of them ads....The News Group is continuing to centralize all of its distribution work in its Atlanta location.

April 23: Three magazines were honored by *The New Single Copy* as "Outstanding Performers," having achieved newsstand dollar growth for 10 consecutive years. They were *The Economist* (which has been on the list every year since it was first compiled in 1999), *Phoenix Home & Garden*, and *Travel & Leisure*. In 2005, there were four titles on the list....Terry Leahy, CEO of Tesco, the British supermarket chain, was quoted in *SupermarketNews.com*, as being, "Excited about [our] plans for the U.S. We intend that we'll grow as rapidly as we can."

April 30: Twelve magazines were cited by *The New Single Copy* for "Notable Achievement," five straight years of

increased retail dollar sales. The list was characteristic of the newsstand marketplace, including the two best selling titles, *People* and *Us Weekly*, a small, special interest publication, and three weeklies about military life. The year before, there were nine magazines on the list....*Reader's Digest*, *Every Day with Rachel Ray*, and the other titles of Reader's Digest Association, will be distributed by Comag Marketing Group (CMG), effective June 1.

May 7: Completing its annual recognition of excellence in single copy sales performance, *The New Single Copy* cited twelve magazines as "The Powerhouses." In alphabetical order: *Cosmopolitan*, *Elle*, *Essence*, *Glamour*, *In Touch*, *Men's Health*, *O the Oprah Magazine*, *People*, *Real Simple*, *Us*, *Vanity Fair*, and *Vogue*....New York Periodical Distributors, based in upstate New York and owned by Benjamin News, will join Hudson RPM as a partner.

May 14: Borders Group, the second largest bookstore chain, announced that The Source Interlink Companies will be their sole supplier of magazines, effective September 1. The move created issues for publishers and national distributors, who had contracts with Ingram Periodicals, the direct distributor that previously represented about a third of magazine sales in bookstores.

May 21: The Source Interlink Companies announced the purchase of the Enthusiast Media division of Primedia Inc., which included 70 magazines and 90 websites. The price was \$1.2 billion. The acquisition of a magazine publishing company by a mass market magazine wholesaler is unprecedented in the publishing business. The move continues the remarkable transition of Source Interlink, once an RDA service company to a media conglomerate, with major presence in both magazine and recorded entertainment distribution....The Magazine Publishers of America (MPA) announced that the 2008 Retail Conference location had been shifted from Washington, DC, Tampa, Florida. The new dates are March 30 to April 1

June 4: The Clark Group, one of the largest transportation service companies to the magazine business, will be sold to Global Logistics Acquisition Corporation....Jim Roberts was named COO of Kable Distribution Services, in addition to his title of executive vice president....A corporate memo from Jim Pattison, chairman of the Jim Pattison Group, parent of The News Group, said, "Results of the US News Group have not lived up to any of our expectations, nor provided satisfactory returns....It is time to implement a new and more aggressive strategy to improve results."

June 11: On the subject of magazine circulation, John Griffin, president of The National Geographic Magazine Group (and subsequently named chairman of MPA), was quoted, "Because of poor circulation practices of the past, especially the practice of counting unpaid circulation as paid, magazines have a credibility problem with the advertising community."

June 18: The Quadrangle Group will buy the young men's (*Maxim* and *Stuff*) and music titles of Dennis Publishing....Comag Marketing Group (CMG) will be the national distributor for The Bonnier Group....Mike Duloc has been named president and CEO of Kable Media Service.

June 25: Amazon.com now has a single copy magazine program, selling magazines at full cover price and charging a shipping fee.

The date refers to the issue in which the item appeared. We will resume our regular 45-times schedule with the 1/7/08 issue of The New Single Copy.

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Editor: John Harrington Associate Editor: Eileen Harrington

2007: THE YEAR IN REVIEW: *Part Two**

July 9: Time/Warner Retail Sales & Marketing moved its home office from mid-town New York to Parsippany, New Jersey. Kable Distribution Services is the only national distributor still based in New York City....At the Periodical & Book Association convention, an Anderson News representative said the company's "draw correction" program has resulted in a 14% reduction in draw, while maintaining sales, and their overall sell-through had improved from 36% to 41%.

July 16: Bauer Publishing announced it was canceling the launch of *Cocktail Weekly*, which has been scheduled for September. The reason cited was "uncertain conditions in the single copy marketplace."...Conde Nast Publications will cease publication of *Jane* magazine with the August issue....Magazine advertising pages were essentially even for the first half of 2007, while revenues were up 6.1%. For the second quarter, pages were down 1.9%, dollars were up 5.2%....At the Magazine Publishers of America (MPA), Jeremy Koch was named executive vice president of consumer marketing, a new position.

July 23: The last book in the Harry Potter series, from Scholastic Corp., was launched on July 21. 12 million copies went on sale in chain and independent bookstores, mass merchandisers, and on-line....The coverage in the 7/26/07 issue of *The New Single Copy* about Bauer Publishing's decision to cancel the launch of *Cocktail Weekly* drew sharp criticism from the two top executives of Kable Distribution Services, Bauer's national distributor. CEO Mike Duloc wrote, "Your viewpoint...continues to be very slanted." COO Jim Roberts said that Bauer's successful magazines "bolster the efforts of a damaged channel...to recover from the excesses of the past."

July 30: *The New York Post* reported that the possibility of a deal between American Media Inc. (AMI) and The Source Interlink Companies still exists....*Weekly World News*, a tabloid from AMI, will cease publishing with its 8/27/07 issues....The Magazine Publishers of America (MPA) reported there were announcements of launches for 153 new or "yet-to-be published" magazines in the first half of the year, a 7% increase over the previous year....From *Capell's Circulation Report*, a survey of circulation executives (respondents did not include weekly titles) found 38% reported improved newsstand sales to date in 2007, and 44% had worse sales.

August 6: The Source Interlink Companies completed the acquisition of the Enthusiast Media division of Primedia Inc. With 76 magazines, 90 related websites, more than 65 events, two television stations, a radio program, and about 400 branded products, Enthusiast Media will operate as the publishing division of Source Interlink. Steve Parr will be its president....Alpha Media Group will be the new company name for the young men's titles sold by Dennis Publishing. *MediaWeek* reported that the company will cease publication of *Stuff* magazine after the October issue.

August 13: On the subject of higher Canadian prices on U.S. magazines, which some retailers have protested, a Canadian newspaper noted that reducing the price was not necessarily a favored solution because it would decrease retailers' and wholesalers' revenues. It was suggested a split run, without noting the U.S. price, might be a solution....The Distripres Congress, scheduled for late September, will have an expanded program of "forums," or general business sessions, with considerably more American representatives participating.

August 20: A special analysis, by Harrington Associates, of the preliminary reports of the Audit Bureau of Circulations and BPA Worldwide, found that unit sales of audited titles were up one percent in the first half of 2007, while total retail dollars increased 1.4%. Celebrity titles, particularly *OK!* (plus 25.6%), *In Touch* (plus 10.6%), and *Life & Style* (up 6.8%), continued to do well. But there were other successes as well. Among the 100 leading retail revenue producers, exactly half of them improved their unit sales-per-issue, by far the best performance in a decade. 61 of them increased retail dollar sales for the period. Over 40%, or 21, of the top 50 dollar sales leaders showed unit increases and 27 of them pushed their retail revenue numbers up.

August 27: Total retail sales of all magazines were essentially flat, both in terms of dollars and units, for the first half of 2007, but there was a significant improvement in the industry's sales efficiency figure (from 36.1% to 38.4%), an indication that recently undertaken wholesaler initiatives were having an impact....Disney Publishing Worldwide announced it will cease publication of *Disney Adventures* with the November issue....John D'Aloia has been appointed chief marketing officer of iControl Systems USA, an affiliate of The Current Companies.

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2007 in Review (cont.)

September 10: Bauer Publishing will raise its cover prices across its entire line. It was also reported that the publisher was raising its discount off-cover price to magazine wholesalers. The changes will take place in late October and early November. Celebrity weeklies, *In Touch* and *Life & Style*, will take their prices from \$1.99 to \$2.99. *Woman's World* will go from \$1.49 to \$1.79, then to \$1.99. *First for Women* takes its cover from \$1.99 to \$2.49. The rise in prices and the discount changes could deliver, it is estimated, an additional \$25 million in gross margin to wholesalers, probably the largest single increase ever from the action of a single publisher....The October issue of *Business 2.0*, published by Time Inc., will be its last....Jack Romanos will retire from Simon & Schuster, where he is president, at the end of the year.

September 17: Harrington Associates' semi-annual review of magazine price increases found that a third of the 101 titles actually increased their unit sales-per-issue performance and 60% improved their dollar sales, adjusted for inflation. Compared to subscription marketing, the newsstand remains friendly to price increases. Notably successful were *OK!* (up 25.6% in units), *The Economist* (up 10.6%), *Weight Watchers* (10.6%), *Elle* (up 10%), *Men's Journal* (plus 7.4%), and *National Geographic for Kids* (up 4.6%).

September 24: International Circulation Services (ICS) is the new magazine export company, formed as a joint venture by The Source Interlink Companies and Curtis Circulation Company. Chris Argentieri, currently senior vice president and managing director of Source Interlink International, will be president of ICS...Hoffman Media will launch a revived *Victoria* magazine, which was originally published by Hearst Magazines from 1987 to 2003....*Capell's Circulation Report* noted that the average price of a year's magazine subscription has remained around \$20 for the last decade....iControl announced that William Mansfield, a long time supermarket executive, will join the company as a senior marketing executive and as a member of their board of directors.

October 8: Anderson News notified national distributors that it was taking large deductions from their payments. The deductions represented the inventory in retail chains that Anderson was doing business with on a scan-based-trading (SBT) basis. National distributors notified clients they may cut the wholesaler off, but by the end of the week, they said shipments would continue. However, discussions about the payment issues with Anderson were still going on. The crisis, as many referred to the situation, highlighted concerns about the rapidly growing amount of wholesaler-retailer business being conducted through SBT. The volume is estimated to be over 25%, and may reach 50% in a year....Wal-Mart Stores has invited publishers, national distributors, and wholesalers to a "Magazine Industry Innovation Summit," as part of the chain's "Sustainability Project."

October 15: Regarding the improved financial performance for American Media, Inc. (AMI), CEO David Pecker, said, "It is...gratifying to report revenue growth in the quarter, reflecting, in part, an 11.5% year-over-year increase in advertising." CFO Jack Craven added, "the company is now up-to-date in the filing of its financial statements for the first time since February 2006."....As a follow-up to the Anderson News situation, Charlie Anderson, the CEO, told publishers, during a series of meetings, that the general state of wholesalers' economics remained critical, and there was a real possibility of the cessation of operations.

October 22: Jerry Lynch, president of the national distributors' trade group, International Periodical Distributors Association (IPDA), wrote to *The New Single Copy* about SBT. He concluded, "Bringing the parties together is the first step, and IPDA is willing to assist in the facilitation of this process."....Jason Flegel resigned from The Source Interlink Companies, where he was executive vice president and a member of the Board of Directors....Magazine ad pages were down 2.3% for the quarter ended September, while revenues were up 4.2%....Comag Marketing Group (CMG) advised client publishers to remove the U.S. cover price from copies of their magazines shipped to Canada.

October 29: Hearst Magazines and Conde Nast Publications both committed to using the Rapid Report service of the Audit Bureau of Circulations (ABC), joining Time Inc and Hachette Filipacchi Media U.S. as major publishers signed up....*The New York Post* reported that serious levels of talks are taking place between The Source Interlink Companies and American Media, Inc....Source Interlink named John Bode a senior vice president and COO of its magazine distribution division, reporting to Jim Gillis, division CEO. William Bailey was named chief administration officer, reporting to company CEO, Michael Duckworth....John Griffin, president of the magazine group at The National Geographic Society, is the new chairman of the Magazine Publishers of America (MPA).

November 5: Wal-Mart Canada announced, effective immediately, it would begin selling all magazines and books at the United States cover price....Wal-Mart Stores also held a "Sustainability Summit" at its headquarters in Arkansas. The retailer's goals are same store sales increases of 5%; improving magazine sales efficiencies to 50%; and the removal of waste from the system. Task forces were also assembled and their chairpersons are scheduled to meet on December 5, again at the retailer's offices....Wenner Media and Bauer Publishing joined ABC's Rapid Report service.

November 12: Magazine Information Network (MagNet) announced that two more wholesalers, Gopher News and Ingram Periodicals, have joined the databank of retail sales information program. MagNet is estimated to represent 75% of all industry sales....Conde Nast Publications will cease publication of *House & Garden* magazine after the December issue.

November 19: *The New York Post* reported, "The tentative framework for a deal [between The Source Interlink Companies and American Media, Inc.] has been worked out with [Source Interlink] expected to pay \$1.2 billion."....Tesco, the British supermarket operator, opened its first Fresh and Easy Neighborhood Markets in Southern California and Nevada. OneSource Magazine Distribution is the chain's magazine supplier.

December 3: Magazine publishers are facing sharp increases in paper prices, expected to be as much as 20% to 25% in 2008....Michael Herrington was promoted to senior vice president at Comag Marketing Group (CMG)...Harrington Associates' compilation of magazine total revenues ranked *People* at the top with \$1.376 billion, 20.4% of which is newsstand sales. Of just over 200 titles with advertising, subscription, and newsstand dollars identified, single copy sales represented only 8% of the total, while advertising was 79%.

December 10: Bauer Publishing appears to be having success with its recent, hefty cover price increases, especially for *In Touch*, regaining its unit sales level by the fifth issue.

* *The date refers to the issue in which the item appeared.*