

# **Retail Benchmarks for Magazines**

**MPA Retail Conference 2005**

**The Kreisky Media Consultancy, LLC**

[www.kreisky.com](http://www.kreisky.com)

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# Benchmarks and Your Bottom Line

This document describes how magazines connect to retailers' bottom line

## **MAGAZINES MAKE CONNECTIONS**



Connected to your customers



Connected to your bottom line



Connected to the vitality of your stores

# Benchmarking – Overview

## Benchmarking data were developed by a cross-industry taskforce

- **Background:** Demand by retailers for consistent and comparable data for the magazine category.
- **Taskforce Goals:** Develop a representative set of economic and performance benchmarks for the magazine category, based on supermarkets, the largest class of trade.
- **Methodology:** Data was provided by several supply chain participants and was aggregated and analyzed by MSA. Data and benchmarks were reviewed by cross-industry taskforce led by The Kreisky Media Consultancy, LLC, an independent management consulting firm. Where necessary, informed estimates were applied to complete the benchmarks and comparisons.
- **Caveats:** Benchmarks are representative only. Individual pricing and margins will vary based on trading partner terms and conditions and supply chain configurations. Primary data sources describing magazines are not yet at the level of other categories.



# Benchmarks: Gross Margin

Perhaps the most common retail benchmark, magazine gross margin performance is above the gross margin performance level of the total store.

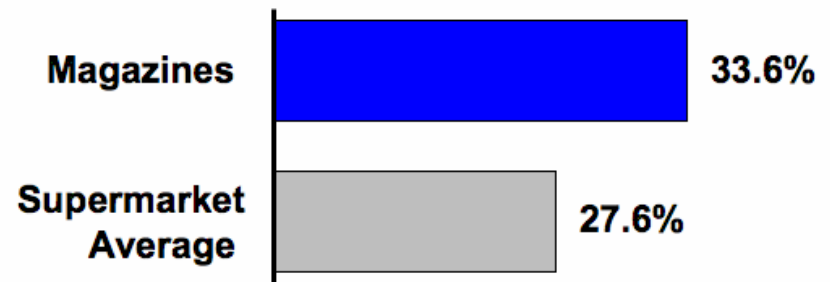
Gross margin is commonly defined as net selling price less cost of merchandise. A more accurate estimate of gross margin is adjusted to include trade promotion allowances. The magazine industry typically provides allowances to support retail display space, front end racks and new title introduction incentives.

Actual adjusted gross margin levels are partly a function of the relationship between magazine wholesalers and retailers. Trade promotion allowances are funded by publishers through their national distributor representatives. Taken together, a representative level for adjusted gross margin level across all magazines is an estimated 33.6% compared to 27.6% for all supermarket categories.

## ■ Margins above-average

### Adjusted Gross Margin

Representative Comparison  
including Trade Allowances



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# Benchmarks: Labor Cost

Retailers prepare a more refined estimation of margin contribution by allocating the proportion of store labor required to merchandise and sell each product category in the store. For supermarkets, average store labor as percent of sales is an estimated 10.9%.

However, magazines are delivered directly to the store, where wholesaler personnel service mainline and checkout lane racks, usually on a weekly basis. Accordingly, even after considering the higher level of store labor required to check the complicated magazine category in and out of stores, this industry-supplied shelf servicing results in less store labor than average.

Labor costs required to offer magazines in a supermarket are an estimated 8.6% compared to the average 10.9% above.

## ■ Store labor costs below average

**Estimated Store Labor Costs**  
Percent of Sales



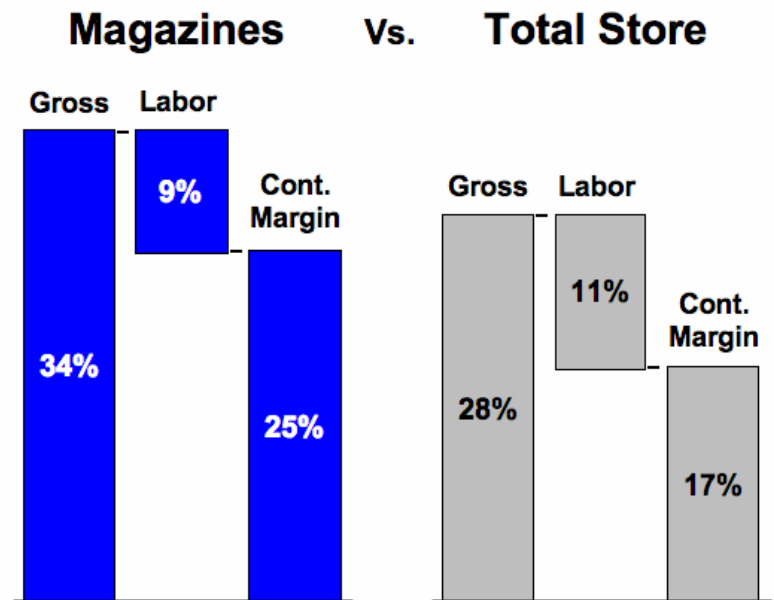
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# Benchmarks: Contribution Margin

Taking above average gross margin and lower-than-average labor costs together, the average contribution margin for magazines is an estimated 25.9 percent vs. 16.7 percent for the total store.

## ■ Superior contribution margin



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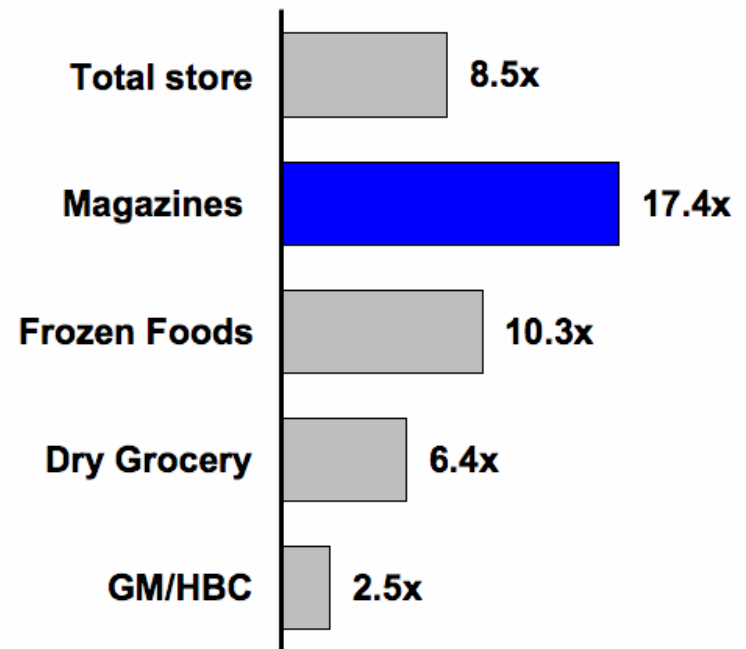
# Benchmarks: Inventory Productivity

The principal identifiable asset for each product is inventory. The average grocery store product requires 43 days supply of inventory to support sales. Said another way, average store inventory turns over 8.5 times per year.

Magazines, which are perishable and must be rotated weekly or monthly by wholesaler personnel, require an average 21 day supply (17.4 turns per years).

The superior margins of magazines coupled with the lower than average inventory investment to satisfy customer sales results in very high return on inventory investment compared with other products in the store.

## ■ Rapid turns... good ROI



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# Benchmarks: Market Basket

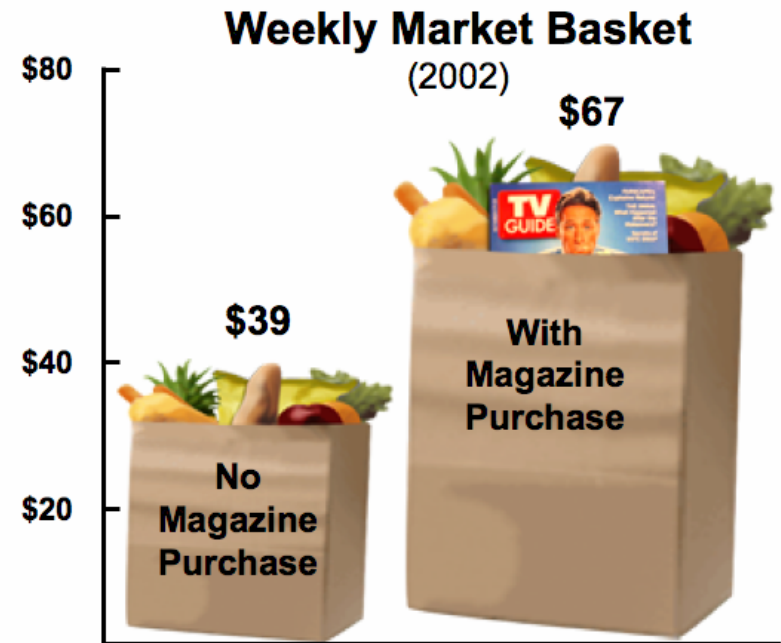
Research has shown that magazine buyers buy more than average shoppers.

A 2002 MSA study concluded that when magazines were part of a shopper's "market basket", the total purchase amount was \$67 compared with \$39 when they were not.

Qualitative research shows that these incremental purchases are derived from magazines' content, for example:

- Recipes lead to the produce aisle.
- Beauty tips lead to the cosmetics aisle.
- Product reviews lead to equipment purchases.
- Advertisements and coupons drive product trial and repeat purchase.

## ■ Incremental revenues



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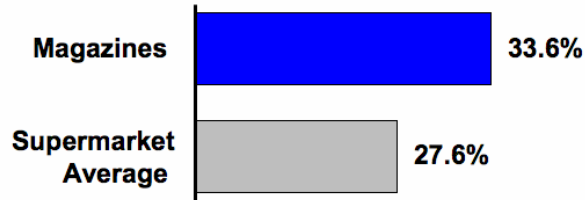
# Magazines... Connected to your Bottom Line

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## ■ Margins above-average

### Adjusted Gross Margin

Representative Comparison including Trade Allowances

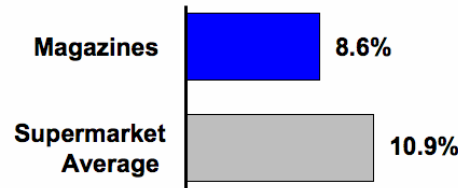


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## ■ Store labor costs below average

### Estimated Store Labor Costs

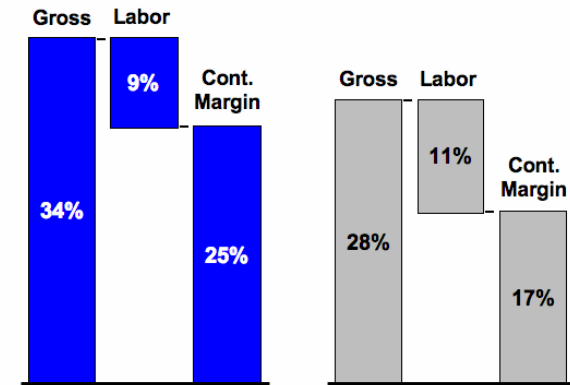
Percent of Sales



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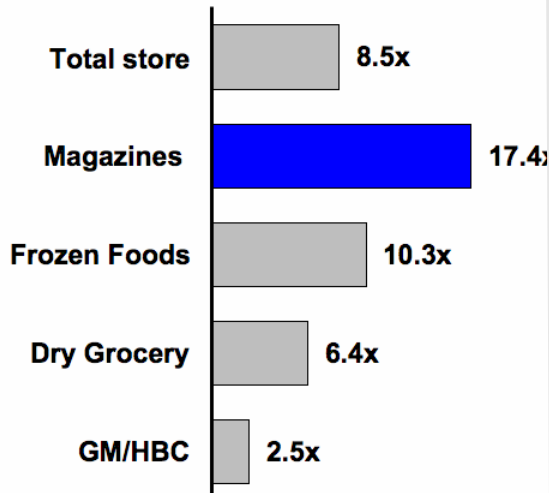
## ■ Superior contribution margin

### Magazines Vs. Total Store



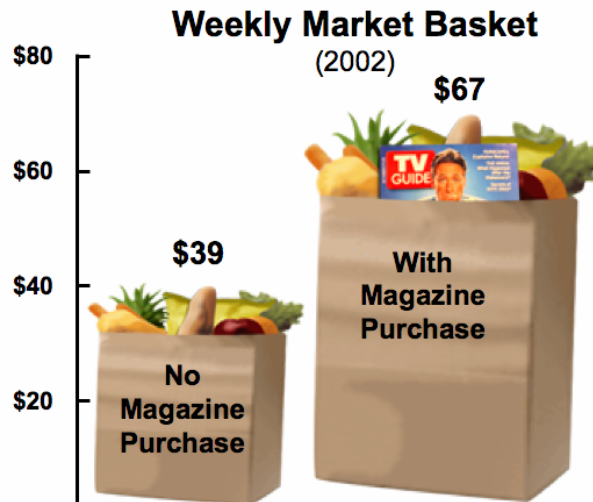
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## ■ Rapid turns... good ROI



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## ■ Incremental revenues – and profits



**Harness  
the Connections  
Magazines Make!**

