

# THE•NEW•SINGLE•COPY

A NEWSLETTER ABOUT PUBLISHING AND PUBLISHING DISTRIBUTION

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September 22, 2003

## Retail News

### **Hudson Buys W.H. Smith**

#### **Airport Stores. Other News**

The Hudson Group announced it signed an agreement to acquire the North American airport retail accounts of **W.H. Smith PLC**. Hudson already operates 250 terminal accounts under the name, Hudson News. The 180 W.H. Smith airport accounts are located in 23 airports, including O'Hare in Chicago, Atlanta, Los Angeles, and Dallas DFW. Hudson News retail outlets are currently located in all New York metropolitan airports, as well as the airports of Boston, Atlanta, and other cities. The sale will be complete following regulatory approvals and assignment of leases from the respective airport authorities. The Hudson Group also operates Hudson News, one of the largest mass market magazine wholesalers in North America.

Retail dollar sales of Hudson News current operations are over \$250 million annually. James Cohen, president and CEO of Hudson, told *The New Single Copy* that magazine sales in Hudson's stores represent about 30% of sales, over \$70 million. Although magazine sales in W.H. Smith airport outlets is presently also around \$70 million, that figure is only 19% of total store sales. Cohen said he expects magazine sales in what are now the Smith accounts to be similar to the Hudson profile within a relatively short period.

At the same time, W.H. Smith also sold its hotel retail business in the United States to **Travel Traders**, a new company headed by Sean Anderson, who had been the CEO of Smith's U.S. operations. Smith will hold a 15% equity position in Travel Traders.

Other Retail News: **Food Lion**, a supermarket chain in the southeast, is reported to be changing some of its stores in Georgia to the Harvey's name, a chain it recently purchased....**Meijer**, a Michigan-based supercenter chain, announced it is eliminating approximately 350 supervisory and administrative positions in its corporate, distribution centers, and field staff

offices....**Ahold**, the Dutch-owned company which operates several U.S. supermarket chains, is selling its 138-store convenience chain, **Golden Gallon**, to The Pantry, a North Carolina-based operator of c-stores....According to an item on *Morningnewsbeat.com*, a retail news website, the *Sacramento Bee* reports "that as technology such as self-checkout continues to proliferate in a wide range of retailing venues..., credit card fraud is becoming more commonplace."....Quarterly sales were up for each of the three largest U.S. bookstore chains for the second quarter. **Barnes & Noble** sales rose 10.5% to \$977.6 million; **Borders Group** was up 8.3% to \$826.9 million; and **Books-A-Million** improved 9.1% to \$113.5 million....As reported in *MMR: Mass Market Retailers*, a consulting firm, Kurt Salmon Associates, says that supermarket chains need "to define a unique and compelling proposition to a very targeted consumer group, and then to effectively communicate that through all of their stores." The report claimed that traditional grocers share of the grocery dollar was 77% in 1997 and is expected to fall to an estimated 63% by 2005.

## Around the Business:

### **New name for Time Inc.**

#### **parent. Schwarzenegger-Oui interview. Subscriber benefits.**

Although it does not change the company's structure, the board of directors of AOL Time Warner voted to change the company name to **Time Warner**. AOL, the largest internet service provider, will remain part of the company....The issue of **Oui** magazine that goes on-sale 9/30/03 will carry the original and now famous interview with Arnold Schwarzenegger, who is a candidate for governor of California....An item in the 9/15/03 issue of *MIN Newsletter* reports that, "New trend among magazine brands is to provide premium online services to print subscribers as a value add. Earlier this year, *Maxim* g.m. Andy

Clerkson and group publisher Jamie Hooper launched the 'Maxim Lounge,' where the print loyalists could get more of those galleries and video feeds of 'babes.' Meanwhile *The New Republic* president/publisher Stephanie Sandberg pulled much of the weekly's online content behind a subscriber-only wall, and even threw in advance access to the next week's print issue....At SI.COM, a new 'SI Exclusive' area gives impatient *Sports Illustrated* subscribers advance looks at the next issue's columns and beat coverage, including an early peek at the next cover."

## Mass Market Magazine Distribution in Germany – ‘The Six Pillars’

*At last week's Distripress Conference in Dublin, Ireland, Karl Oberleitner, of PGV, Salzburg, Austria, spoke about "Draw Regulation for Mass Titles." As part of his introductory remarks, he described the German and Austrian distribution channel.*

The orderly German distribution system is based on six key principles – ‘The Six Pillars of Press Distribution.

1. Retail Price Maintenance (RPM): The consumer price is fixed by the publisher in order to remove local variations in price and to prevent multiple retailers building share by price cutting. Discounts between wholesalers and retailers are also fixed to prevent price competition within the supply chain.
2. Sale of Return: Only if the publisher bears all the risk of unsolds is it guaranteed that the trade gets enough copies and that all selling opportunities can be used without any risk to the retailer.
3. Fixed monopoly regions for wholesalers: Open competition would allow ‘cherry-picking’ to take place with wholesalers zooming in on (a) the most profitable geographic regions and (b) the

most profitable titles. Open access to the market for all titles whatever their size is based on a controlled wholesale geography.

4. Publisher's 'Disposition' Rights: All German publishers have a legal right to distribution. When launching a new product, the publisher determines the distribution levels which the wholesaler must enact. After the initial launch period, the order levels can be adjusted by the publisher and wholesaler in negotiations. The wholesaler can allocate appropriate copy supplies to any retailer within his area. Retailers must accept all allocations and must display a minimum of two inches of cover. A retail order for a magazine can be cancelled by the wholesaler if a magazine does not sell a single copy for three consecutive issues.

5. Use of Copies: As the different routes (retail, subscription agents, reader circles) have different cost structures associated with them, the products bought for a particular price can be put to the specific, determined uses.

6. Neutrality of the Trade: Both, wholesaler and retailer, are obliged to be neutral carriers of the press. The retailer can decide whether to sell press or not, but having made the decision to sell press, must carry any title which the wholesaler supplies – anything less is ‘distribution censorship.’ The wholesaler, in turn, makes the same commitment. The wholesaler is also obliged to offer data transparency, allowing the publisher access to retail level sales data about its own titles.

*Editor's Note: Interesting, but it probably wouldn't work here.*

## The Magazine Retail Sales Experience: 2003, Volume II

The second part of the 2003 edition of *The Magazine Retail Sales Experience*, a report from Harrington Associates, is being mailed to subscribers this week. Interested non-subscribers should email [info@nscopy.com](mailto:info@nscopy.com).

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