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## 2006: THE YEAR IN REVIEW: *Part Two*\*

**July 10:** At the halfway point of 2006, *The New Single Copy* noted three issues that stood out in the business: 1) A "soft" sales record, reported by most national distributors, publishers, and mass market wholesalers; 2) Shifts in the distribution channel, particularly among wholesalers, almost as notable as those in the mid-1990's; and 3) Initiatives on the part of the national distributors trade association, IPDA, and MagNet, the wholesalers' database organization.

**July 17:** Peter Armour, long-time senior vice president, consumer marketing, at Conde Nast Publications, will retire in September....Magazine advertising pages were down 1.7% in June, compared to 2005. Ad dollars were up by a under a single point....Tesco, the leading supermarket company in the United Kingdom, plans to open as many as 100 stores in the U.S. in its first year here, which is thought to be 2007....*Utne* magazine was sold to Ogden Publications.

**July 24:** At a presentation to PBAA member, the News Group said it is the largest magazine and book wholesaler in North America, representing 30% of the market. It delivers to 25,000 retailers, using 1,200 trucks, handles 4,000 titles, and employs 3000 people.... "The Heard on the Street" column in *The Wall Street Journal* (7/18/06) said, "The national biggest seller of magazines [The Source Interlink Companies] is entertaining offers and some bargain hunters sniff an underreported story."

**July 31:** *Teen People* magazine was folded by Time Inc....Bauer Publishing was reported to have increased its advertising sales staff from 29 to 52 over the past three years....Total Circulation Services, a small wholesaler in the New York metropolitan area, ceased operations....*The New Single Copy* identified three issues as major new challenges for the mass market magazine distribution channel: The impact of lower-price magazines; the battle between national distributors and wholesalers over responsibility for category management; and the changing logistics of how magazines move from the printing plant to retailer's shelves.

**August 7:** Phillips Electronics, as part of advertisements that ran in the September issues of four Hearst Magazines' titles - *Redbook*, *O at Home*, *Weekend*, and *House Beautiful* - paid \$2 million for the publisher to eliminate blow-in subscription solicitations. The ad carried the message, "Simplicity is not having subscriptions fall out of your magazine....Ziff-Davis Holdings Inc. has hired two investment firms, Evercore

Partners and Lehman Bros., to assist in "exploring strategic alternatives."...Tom Fogarty was named director of client services for the eastern sales division of Time Warner Retail Sales & Marketing.

**August 14:** Wenner Media will buy back the 50% share in *Us Weekly* it sold to the Walt Disney Co. in 2001. According to Disney figures, it is receiving about \$300 million from Wenner for the stake that originally cost them \$40 million....Advertising pages were essentially flat (minus 0.1%) in July compared to the same month in 2005. Ad revenue was up 3.7% during the same period....Yucaipa Cos., which is the largest shareholder in The Source Interlink Companies, has purchased a 12% share in SuperValu Inc., the supermarket operator that is, as a result of its recent acquisition of Albertson's, the second largest chain in the country.

**August 22:** 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 down 3.2% in the first half of 2006, and retail dollars also fell, by 2.2%. Surprisingly, total retail sales, audited and non-audited, grew by 1.5%, while their dollar total was basically flat (up. 0.2%). The disparity is the result of the increasing impact of low-cover price magazines. *People* was the leading revenue producer on newsstands, generating \$137 million, while *Us* was next at \$91 million.

**August 28:** Time Inc. announced it will move *Time* magazine to a Friday release date, beginning in January....Hearst Magazines announced it was ceasing publications of *Weekend* and *Shop Etc.*, two titles which were in the "development" stage....Time Inc. has ceased development of a website for young men, *OfficePirates.com*, it launched in February....Two investment firms with large holdings in Ahold, the Dutch retailer, have urged the company to divest of its American holdings, which include Stop & Shop, Giant-Landover, Giant-Carlisle, and Tops.

**September 11** Time/Warner Retail Sales & Marketing will be moving its offices to Parsippany, New Jersey, sometime in the spring of 2007. When the move takes place, it will leave Kable Media Services and its national distribution arm, Kable Distribution Services, as the only national distributor with offices in New York City....*People Style Watch*, a spin-off from *People*, will go to a 10-times schedule in 2007....*The Sporting News* has been sold by Vulcan Ventures to American City



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## 2006 in Review (cont.)

Business Journals, a division of Advance Publications, which also owns Conde Nast Publications...Active Interest Media has purchased Yoga Journal....Hachette Filipacchi Media U.S. announced it was folding *For Me* magazine, which it introduced in the spring of 2005....American Media Inc. has hired Jack Craven as its executive vice president and chief financial officer....The American Association of Independent News Distributors (AAIND) has named Erik Zenhausen as its executive director....Don Devito is an executive vice president for iControl....The Book Industry Study Group (BISG) has named Michael Healy as its new executive director.

**September 18:** In August, for the first time since April, magazine advertising pages grew compared to the same period in 2005. The increase was 4.4%. Ad revenues were up by 9.6%....Time Inc. announced it intends to sell 18 titles, which include most of the magazines in its Time4Media group....*Capell's Circulation Report* said that, during the last decade, direct to publisher subscription sales were down 17%. Also public place sold subs were up 80%....In an exclusive retirement interview with *The New Single Copy*, Peter Armour, who spent 15 years of the board of ABC, said, "Hopefully, in the not too distant future, there will be an opportunity to revisit the publisher statement, review what metrics are truly need and create a new, less confusing document."

**September 25:** The final review of the first half 2006 figures found that total newsstand unit sales increased, albeit by a barely noticeable 1.0%. However, because of the proliferation of lower cover priced titles, the retail value of magazine sales actually slipped, by 0.2%, almost unnoticeable if it were not so rare. Only 10 of the top 25 revenue producers improved their contribution in the period. Among leaders on a copies-per-issue basis, again only 10 improved their numbers, while 14 lost units. 202 of 562 titles with any newsstand sales increased their total retail dollars. *Every Day with Rachel Ray*, a new title from Reader's Digest Association, was among the units leaders, averaging 520,000 copies per issue.

**October 2:** Wholesaler market shifts continued. Mid-States Distributors, Chambersburg, Pennsylvania, left the magazine business. Hamilton News, Glenmont, New York, transferred most of its magazine business to Hudson RPM, in which Hamilton is a partner. Two mass market magazine wholesalers -The News Group and Harrisburg News - began servicing Wal-Mart Stores. Anderson News, The Source Interlink's Levy division, and Hudson Group remained as Wal-Mart suppliers. Anderson also notified publishers of a new initiative to reduce returns, while emphasizing it intends to maintain sales. No specific target figure was announced. Anderson also announced it will be closing its National Production Center at the beginning of December. Originally established to handle smaller volume titles, it's volume is "considerably: less than 1.0% of the wholesaler's volume."

**October 9:** Carol Kloster, executive vice president of The Source Interlink Companies, has resigned to become president and CEO of Levy Home Entertainment, a major supplier of books to mass merchandiser retail chains. Jason Flegel, the company's executive vice president, operations, will assume all operating responsibility for magazines....Two more small wholesalers stopped operating: Tulare Country News, Visalia, California, and Serendipity Couriers, Benicia, California....In a "What If?" exercise about magazine sales efficiencies, *The New Single Copy* stated, "It will be difficult to improve the sell-through figures for the best selling titles, let alone restore 1990 rates. It might be just as hard to improve

the performance of the thousands of titles whose numbers have not changed in more than 15 years."

**October 23:** Magazine advertising pages increased 2.4% in September compared to the same period in 2005. Revenues were up by 6.6%. Gerald Farro has been named vice president, marketing at The Source Interlink Companies.

**October 30:** At the American Magazine Conference, Stephen Reggie, CEO and vice chairman of Barnes & Noble, emphatically stated that the chain wanted to give more space to magazines. A newsstand workshop on efficiencies generated some lively discussions, particularly when a major publisher said that their titles could not give up the six to seven thousand copies of sale they might lose, even if an efficiency drive could reduce newsstand print orders by as much as 100,000. A British publisher noted that the United States was the only market where publishers offered advertising rate bases, something he felt contributed to the U.S.'s high return rates....Transcontinental Media announced it will cease publishing the Canadian version of *TV Guide*.

**November 6:** Writing in *Circulation Management*, Baird Davis said, "If publishers want a newsstand system that is more responsive to their need, they must begin to aggregate their influence."....Ray Shaw was named vice president, operations at MagNet, the database of wholesaler sales data....An ranking of magazines' total revenues found that (in order) *People*, *TV Guide*, *Better Homes & Gardens*, *Sports Illustrated*, and *Time* are the biggest dollar producers. On the five, only *People*, at 20%, generated more than 5.0% of its revenue on the newsstand.

**November 13:** *Time* magazine announced it intends to sell its advertising base on "total audience," rather than rate base....Kable Media Services is acquiring Pam Coast Data, one of Kable's main competitors in the magazine subscription fulfillment business....Magazine advertising pages were down 1.2% in October. Revenues were up 1.9%.

**November 20:** The Source Interlink Companies announced that its chairman and CEO, Leslie Flegel, had resigned from the company and from the Board of Directors. Michael Duckworth, a partner in the Yucaipa Companies, the largest shareholder in Source Interlink, was named the new chairman....The Reader's Digest Association was sold to Ripplewood Holdings, LLC, for \$2.4 billion.

**December 4:** Publishers raising their cover prices in the first half of 2006 were, generally, less successful in maintaining unit and dollar performance than has been the experience in recent years. Of 109 titles that raised their cover prices in the first half of the year, only 28 improved unit sales. Normally, the figure is around 33%....Dollar General Stores, one of the leaders in the bargain retail category, announced it will close 400 locations and slow its planned development.

**December 11:** The proliferation and success of low cover-price titles is threatening the financial well-being of the mass market magazine distribution channel, particularly at the wholesaler level, which has been economically fragile for more than a decade. This is the primary finding of a study, *The Impact of Low Price Magazines*, conducted by Harrington Associates and commissioned by the Magazine Information Network, LLC, (MagNet), an organization whose members include many of the largest mass market magazine wholesalers....Magazine ad pages were down 2.6% in November. Revenues were up 2.0%.

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