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## Around the Business

### **Ad Pages Flat in '06. IPA Closes. Retail Conference. Source Interlink. Personnel Notes**

Although magazine advertising pages were down 2.2% in December, compared to the December 2005, total pages for all of 2006 were essentially even (minus 0.1%) with the previous year. Ad revenues, according the latest report of **Publishers Information Bureau (PIB)**, were up 2.6% in December and climbed 3.8% for the year....**The Independent Press Association (IPA)** ceased operating in late December. Based in San Francisco, IPA billed itself as the voice of small and "progressive" publishers. It had a newsstand distribution arrangement for some of its members with Disticor, and publishers that were involved in it are expected to continue that relationship. IPA also had a New York office, which operated autonomously and, it is understood, plans to keep functioning.... Late last week, The **Magazine Publishers of America (MPA)** made its first announcement about the program for the **2007 Retail Conference**, which it co-sponsors with the **International Periodical Distributors Association (IPDA)**. The Conference will be held March 4-6 in Orlando, Florida. Three outside speakers will be featured: David McConnell, CEO of the General Merchandise Distributors Council (GMDC), will cover "The State of Retail"; Lee Nichols, CEO of Dechert Hempe, will look at "Category Magic"; and Herb Sorenson, Sorenson Associates, will report on RFID (radio frequency ID) and how Pathtracker, a measurement system, uses it. For more information visit [www.magazine.org](http://www.magazine.org)....MPA will also be sponsoring a full-day conference on magazine digital technology, "Magazines 24/7:

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## Looking at the Year Ahead

### **Distribution Channel Issues May Dominate Newsstand Sales in 2007**

Although the final figures for newsstand sales in 2006 will not be in until late February\*, the expectation is that they will be essentially flat, as they have been for the past two years. Of course, after a much longer period of declining unit sales, *The New Single Copy* and most other industry observers have celebrated as increases 2004 and 2005's less-than-single-digit raises. A flat performance would mean the magazine industry's two meaningful measurable parameters, newsstand and advertising, ended the year about where they entered it. Subscription sales cannot be used reliably as a barometer, since they often reflect efforts of publishers to manipulate their rate bases.

Looking back at 2006, there were more substantial changes in the magazine distribution channel than in any year since the late 1990's. Wal-Mart Stores, the largest retail chain in the world, added two wholesalers to its list of magazine suppliers, after using only three for nearly a decade. Additionally, several major retail chains changed their wholesalers. In fact, major shifts were also announced as late as the past few weeks. Although the full impact of these shifts will not be fully measured for some time, it appears that two companies, The Source Interlink and The News Group will have approximate market shares of 25%, and Anderson News, long the largest, will have an estimated share somewhat smaller than that.

Not only were market shares reconfigured, but

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\* *The New Single Copy* plans to report extensively on 2006 newsstand performance in its March 6 issue, which will be available at The Retail Conference, March 4-6.

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## Looking Ahead (cont.)

the nature of the companies was changing as well. Anderson News, long the largest and, arguably, the most aggressive, appears to be more internally focused, concentrating on markets where it has more density, and embarking on its own initiatives, such as its recent efficiency drive program, often having to deal with hostility from major publishers and national distributors. The Source Interlink continued its pattern of expansion through acquisition, buying the operations of Anderson in two major markets. However, late in the year, Source Interlink's longtime CEO, Leslie Flegel, who was widely recognized as the architect of the company's growth, resigned. He was succeeded by Michael Duckworth, a representative of the company's largest shareholder, The Yucaipa Co., an investment firm, primarily known for its holdings in the supermarket business. When the changes were announced, it was also stated that a search was underway for a new CEO. Clearly, the management style, if not the long and short term strategies of Source Interlink will be different in 2007.

Early in 2006, Anderson and The News Group began operating two logistics companies, ProLogix East and ProLogix West, that would receive, bundle, deliver, merchandise, and process returns for publications at the retail customers of the two wholesalers. They had announced the partnerships at the end of 2005. The ProLogix companies operate in the northwest and the southeast. In other areas where Anderson and The News Group have business, they continued to provide their own services. They also plan to continue to compete for retailer contracts, even in the markets where they are partners in ProLogix. In general, suppliers welcomed the ProLogix initiative, supporting the hope that the consolidated operations would provide cost savings that would improve the long standing troubled financial positions of both companies. Although there have been occasional criticisms of the ProLogix performance, they have generally been attributed to growing pains. If successful, ProLogix may be expanded to other markets, may provide services to other product lines, may be a model for other wholesalers, and may bring some much needed stability to the wholesaler community, which has struggled economically for more than 10 years. In 2007, we are likely to find out if the ProLogix concept is on the way to delivering those benefits.

Another joint wholesaler project, and one representing even a larger share, was redirected in 2006. Magazine International Network (MagNet), which collects and produces publications' retail sales information, has committed to major initiatives for the new year. It has also become more aggressive in its public positions, recently funding and publishing a study on the impact of the proliferation of lower-cover price magazines on wholesaler finances (in the spirit

## Around the Business (cont.)

Connecting with the Consumer," February 27, in New York City. Among the speakers will be two magazine publishing company CEOs, Susan Lyne, Martha Stewart Living, and Stephen Colvin, Dennis Publishing USA. Again, more information at [www.magazine.org](http://www.magazine.org)....The annual stockholders meeting of **The Source Interlink Companies** for 2007 will be held March 22 at the company's offices in Bonita Springs, Florida. The meeting had been originally scheduled for late January, but was postponed after Source Interlink requested guidance from the Securities and Exchange Commission (SEC) with respect to excluding a major's shareholder's proposal that the company declare a special dividend payment of \$5 per share....Also regarding Source Interlink, it was reported that the company's international division will be the overseas representative for all publications of **Comag Marketing Group (CMG)**. Calls by *The New Single Copy* to both companies, late last week, to confirm the move, were not returned, but we believe the source of the news to be very reliable....**Personnel:** **Current News**, a mass market magazine wholesaler based in Washington, DC, has hired Bill Landau as a senior account executive. Landau was once a co-owner of a wholesale company in Pennsylvania and most recently president of Mid-States Distributors, also in Pennsylvania....There were also reports last week that Melvin Philips, president of the international division of **The Source Interlink Companies** has left the firm. Like the above item, calls to confirm the report were not returned.

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of full disclosure, the report was prepared by Harrington Associates, the publisher of *The New Single Copy*). MagNet was initially formed nearly six years ago to provide data to suppliers, but has announced a much broader agenda, including collecting retailer's data and taking on marketing and merchandising roles in the business.

Earlier, we mentioned Anderson's plan to improve its retail sell-through figures, with or without supplier cooperation. Not long after, The News Group announced its own efficiency drive. Again, while publishers have applauded the idea, in general they have not agreed with either wholesalers' overall approach. Yet, at least two national distributors, Time/Warner Retail Sales and Comag Marketing Group (CMG), have been emphasizing improved efficiencies in a very public fashion. If so many major players agree that it is a crucial goal, and are willing to assign assets to achieving it, it would seem reasonable that a way to cooperate and make progress should be possible.