

Where Magazines Are Sold

Changes, But Consolidation Continues at Supermarkets

Total dollar sales, representing all products, in grocery store format locations grew substantially in 2006, from \$613 billion to over \$700 billion, according to figures published recently by *Supermarket News* (www.supermarketnews.com). Continuing the trend of the past decade and previously (see chart below),

the share of business represented by the largest chains also continued to expand. Although there was a significant change among the players, the five largest food retailers are moving steadily toward a 60% share of the \$700 billion-plus sized business.

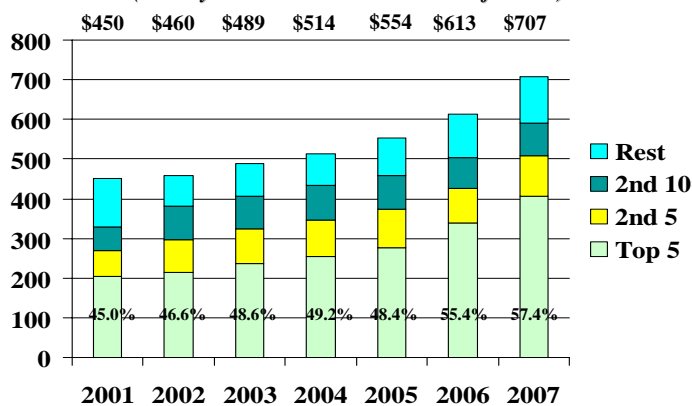
Note: There is admittedly some ambiguity in determining market shares and differentiating between varying retail formats within corporate entities. Supermarket News notes that some chain figures include sales from store formats other than grocery outlets. Where possible, Supermarket News tries to calculate such shares, but the figures are not always easily identifiable. In general, the numbers represent sales in the United States and Canada. However, Supermarket News notes the numbers for Wal-Mart include Mexico as well. Additionally, the total volume figure of \$700 billion is only for the top 75 food companies, retailers and wholesalers, and does not include companies with less than \$1 billion in annual sales.

The five largest retailers in the grocery business are Wal-Mart, Kroger, Safeway, Costco, and SuperValu. The newcomer to the list is SuperValu, who was 13th in 2005. However, the purchase of

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Top Food Retailers: Market Share

(Grocery Store Format Sales - billions of dollars)



Source: Supermarket News (adjusted to reflect chains' grocery shares)

Around The Business

18 Time Titles to Bonnier. New from Bauer. People Promo. Personnel

The Time-Bonnier Deal: 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 Stockholm, Sweden, based publisher, last year bought a 49% share in Florida-based World Publications, whose titles include *Saveur* and *Garden Design*. Bonnier's new U.S. titles will include *Field & Stream*, *Popular Science*, *Parenting*, and *Transworld Skateboarding*, among others. Last fall, when Time announced its intent to sell the titles, a calculation prepared by newsstand

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Around the Business (cont.)

analyst Baird Davis, estimated that the magazines represented about \$15 million in annual retail sales, less than 5% of Time Inc.'s total at newsstand. The largest single-copy seller among the group is *Transworld Skateboarding*, averaging 126,000 per issue. Since Bonnier has little in the way of an organizational structure in the U.S., it is expected that the publications will continue to operate in their current locations and maintain their current staffs, at least for the immediate future. Similarly, it is assumed that Bonnier's new properties will continue to be nationally distributed by Time/Warner Retail Sales & Marketing, although *The New Single Copy* was not able to reach anybody there this past Friday to confirm it. Jonas Bonnier, the executive vice president of The Bonnier Group and president of its Bonnier Magazine group, was quoted in *Advertising Age* (1/25/07) to say, "I'm personally and definitely for the first year going to be the working chairman for this division."

Other News: A new weekly lifestyle magazine, *Cocktail Weekly*, has been announced by **Bauer Publishing**. It is scheduled to launch in September, with a reported newsstand distribution of one million. Bauer, whose most successful weeklies - *Woman's World*, *In Touch*, and *Life & Style* - have cover prices of \$1.99, said *Cocktail* will be priced at \$2.49. A recent study, based on wholesaler cost data (*The New Single Copy*, 12/11/06) stated that "the price point at which no magazine can be profitable for wholesalers is actually as high as \$2.49, and may even be higher."....The subscription version of the 1/29/07 issue of *People* magazine came wrapped with a manufacturer's coupon worth \$1.00 off the newsstand price of the February issue of *People Style Watch*, the new Time Inc. title which has gone to a monthly schedule. The issue is on-sale 1/19 to 2/19....At **Circulation Day**, sponsored by the Direct Marketing Association in New York on February 7, a workshop will be devoted to "Newsstand Challenges." It will be moderated by Lisa Scott, executive director of the Periodical Book Association of America (PBAA), and will include Justine Kawas (Universal News Cafes), Dale Oehler (Time/Warner Retail), and Camille Pellino (*U.S. New & World Report*)....**Book News:** **HarperCollins Publishers** will assume sales and distribution for the **Disney Book Group** and **Hyperion Books**....In the matter of the bankruptcy of **AMS (American Marketing Services)**, a judge ruled against a bid by **Simon & Schuster** to reclaim an estimated \$5 million in inventory, stating that banks have first claim on the distributor's inventory. An attorney for Simon & Schuster said the action and others "have likely doomed this case to an inevitable liquidation."....**Personnel:** Nora McAniff, one of two co-COO's at **Time Inc.**, has resigned effective March

Supermarket Shares (cont.)

the largest share of what was once Albertson's (#4 on the 2005 list) has transformed the company, which is also one of the largest food wholesalers. What's left of Albertson's, although with an entirely new management structure, is now 13th on the list. Three Canadian companies — Loblaws', Sobey's, and Metro Richelieu - are among the top 15, at numbers 6, 11, and 14 respectively. Wal-Mart's share of the grocery store market, which includes its supercenters, Sam's Clubs, and Neighborhood Markets in the U.S., Canada, and Mexico, but not its traditional discount stores, is now over 30%. No other chain is estimated to have even a 10% share.

As a postscript to the issue, another retail trade magazine, *Progressive Grocer* (1/25/07), reporting on the appearance of SuperValu CEO, Jeff Noddle, at the recent Food marketing Institute's Midwinter Executive Conference, wrote, "[Noddle]...went on to affirm an opinion that many of the CEOs in attendance would probably share: that more mega-mergers are in the offing in the immediate future."

Magazines in Supermarkets: Supermarkets are estimated to represent nearly 50% of all U.S. periodical retail sales, so the market shifts are significant for the mass market magazine distribution business. Wal-Mart's share of the business is generally thought to be around 15% of magazines' \$4.8 billion retail total. However, around 18 months ago, at the American Magazine Conference, the CEO of Time Inc., Ann Moore, introduced the CEO of Wal-Mart, Lee Scott, and acknowledged the retailer represented 12% of her company's newsstand sales. Since *People*, the best-selling magazine at retail, and *All You*, sold exclusively in Wal-Mart, are among Time Inc.'s titles, the 12% figure might be the more accurate one. Notable too is the fact that Wal-Mart spread its magazine business around in 2006, adding two wholesalers, bringing its total to five.

1 to do "something completely different." John Squires, the other co-COO, has been promoted to senior executive vice president....At **The Source Interlink Companies**, Chris Argentieri has been named senior vice president and managing director of its international subsidiary....**Cannon Equipment Company**, a front-end fixture supplier, has hired Charles Davis, who has worked for a number of publishers and national distributors, as an account executive....**Curtis Circulation Company** has hired Hinds Lyle as regional sales director for the western regions of the U.S. and Canada.