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Time on the Digital Future

The actions and words of **Time Inc.** continue to dominate media news, particularly print media news. *Advertising Age* (1/30/07) reported on a speech that Time's chairman and CEO, Ann Moore, gave to an information industry meeting early last week. According to Moore, reporter Nat Ives wrote, "Declining newsstand sales across the business and a shift by consumers and advertisers alike toward digital media continue to challenge print business." Moore was quoted, saying, "Magazine publishers need to accelerate their shift into digital...Our bet is that depth trumps breadth." Urging the industry to "try out a lot things," Moore said, "I actually feel embarrassed that we haven't failed more often."

Capell Looks at Rate Base Performance for 2006

20% of magazines failed to make their advertising rate base. That, according to Dan Capell, writing in *The Capell Report* (1/29/07), is the industry's worst performance since 2002. It was 18% in 2005 and 17% in 2004. Capell also notes that 47% of the members of the Audit Bureau of Circulations (ABC) did not claim a rate base last year. However, that number was lower than the previous year, when it was 53%. Capell has often argued that fewer magazines should offer a rate base guarantee, saying that efforts to reach off-times inflated guarantees, lead to bad circulation decisions, both on the newsstand and for subscriptions. In the same issue, Capell also notes "wild" newsstand swings for selected titles. A few he noted were (all within the 2005 calendar year): *Details*, high 354,512/low 182,923; *Family Circle*, 1,117,386/638,151; *Newsweek*, 305,448/75,523; *People*, 2,354,467/1,182,860; and *Vanity Fair*, 740,419, 312,179.

Around The Business

Levy in California. Source NASDAQ. Launches. Personnel

Publishers Weekly (2/1/07) reported the **Levy Home Entertainment (LHE)**, the book distributor, has opened an office in San Diego, and hired six sales people who were former employees of **AMS**, the wholesaler that recently went into bankruptcy. Levy's goal is to obtain warehouse club accounts, which were the core of the AMS business. The CEO of LHE is Carol Kloster, who until last fall was with The Source Interlink Companies, primarily responsible for its mass market magazine operations, which it had acquired from the Chas. Levy Co., parent of LHE....On February 2, **The Source Interlink Companies** announced it received a Staff Determination Letter from the **NASDAQ Stock Market** that "it is not in compliance with....[rules] that require NASDAQ issuers to hold an annual meeting of shareholders." Source Interlink has scheduled its fiscal 2006 meeting of stockholders for March 22, after postponing an planned earlier session. Source Interlink will appeal the NASDAQ decision and expects to be granted an extension, but said, "there can be no assurance of an extension." Source Interlink added, "Should such an extension be granted, the company anticipates that it will not be delisted and will continue to be eligible for stock quotation on the NASDAQ national market."....**Time/Warner Retail Sales & Marketing** will be the national distributor for the newsstand launch of *Salon City* magazine, with a frequency of eight-times (two specials), on sale 2/27/07, with a cover price of \$3.99/\$4.99 Canada....**Curtis Circulation Company** will be the national distributor for the **CK Media LLC** line of craft titles. The CK magazines were previously owned by **Primedia Inc.**

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Around the Business (cont.)

Curtis will begin distribution with issues on sale after 4/1/07. Curtis will also distribute the titles of **Firebrand Media Inc.:** *Barbie*, quarterly, 3/6/07, \$2.99/\$3.99; and *Hot Wheels*, quarterly, 4/3/07, \$2.99/\$3.99; *HD Diesel*, quarterly, 5/8/07, \$4.95/\$5.95; *Chopper Build*, six-times, 4/3/07, \$4.95/\$5.95; and new from **Marvel Entertainment:** monthlies, *Marvel Power*, *Marvel Techno*, *Marvel Legends*, and *Ultimate Heros*, all with cover prices of \$3.99/\$5.75; *Spider-Man Family*, six-times, \$4.99/\$7.00; and *Marvel Magazine*, semi-annual, \$6.99/\$8.75....**Rider Circulation Services (RCS)** will be the national distributor of *N'east*, quarterly, \$4.99/\$6.99; and *Missbehave*, quarterly, \$3.99/\$4.99....An article in *Folio* (2/1/07) speculated that the possible sale of the consumer and small business magazine groups of **Ziff-Davis** may have stalled because the publications are priced too high....**Personnel:** Don Weisberg, executive vice president and COO of **Random House**, and who headed the sales group, will leave the company at the end of February. Edward Volini, Random's deputy chairman will take on the COO title and Weisberg's duties....**LPI Media**, which publishes *The Advocate* and *Out* magazines, has named Michelle Sheidlower as newsstand manager. The company is based in Los Angeles, but she will operate out of New York.

Retail Notes

Tesco in the U.S. SuperValu

Bloomberg News (1/30/07) published a long article on the plans of **Tesco**, Great Britain's largest supermarket chain, to open stores in the southwestern United States: "Tesco Plots Buffet-Backed U.S. Drive at 'Movie Set.'" The reference is to multi-billionaire investor, Warren Buffet, who recently bought a 2% share in the company. Stores, which are expected to be large convenience store-formats, will open during 2007, according to *Bloomberg*....**SuperValu** was reported, by *Supermarket News* (1/26/07) to be closing 10 of its 15 Jewell-Osco stores in the Milwaukee area, beginning in late March.

Distripress 2007 Announces Forum Program

The 2007 Distripress Congress, bringing together publishers, distributors, and retailers from around the world will be held September 24-27 in Vienna, Austria. The schedule for its Forum program of presentations and workshops was released. Among the topics will be "Advertising Versus Distribution", "Publishing and Distributions in the United States: Successes and Challenges" (organized by the

A Response on Low-Prices

In response to a study by Harrington Associates on "The Impact of Low Price Magazines (*The New Single Copy*, 12/11/06), *Circulation Management* (1/31/07) interviewed Rick Parker, senior vice president, Bauer Publishing, whose most successful titles - *Woman's World*, *In Touch*, *Life & Style*, and *Us for Women* - are priced under \$2.00. Among Parker's comments:

"It's fine to talk, but how do you pay the bills? Our products sell. From 2001 to 2006, our newsstand dollars were up 193 percent; and unit sales were up 175%. I challenge anyone to show the same type of results that Bauer has achieved in this market.

"The consumer speaks and decides what she wants to buy. People are saying we should raise the over price and discount 60 to 70% off for subscriptions. But that's not business.

"If we followed what so many other publishers are doing, we couldn't make it. We don't use their techniques, and we have the highest efficiency in the business."

On efficiencies: "if 10 percent of copies were over allotted, but sell through is 60 to 65 percent, you can't cut the draw. But we also don't want retailers on if they only sell one copy. If they sold six copies before, we don't want to send them 12 copies. We want to fix that and take off the distributors that don't perform."

Note: A complete copy of "The Impact of Low Priced Magazines" is available electronically on request to info@nscopy.com.

Vodka and Magazines

The following is a quote from an article about the boom in vodka sales, in *The Wall Street Journal* (1/26/07): "One unusual factor helping many entrepreneurs rush into the market is the liquor industry's *antiquated* (emphasis added) structure of distillers, bottlers, and distributors. Stemming from rules passed the wake of Prohibition in the 1930's, this "three-tier system" was long viewed as a hurdle to efficiency. But it also creates easy points of entry for unknown small brands."

Some veterans of the magazine business can remember its pre-1995 *antiquated* distribution system. *They are probably fond memories.*

Periodical and Book Association of America, PBAA), and "Pricing and Distribution Success" (moderated by John Harrington, publisher and editor of *The New Single Copy*). For more information about Distripress, visit the website, www.distripress.net.