

December 19, 2011  
Volume XVI, #21

Editor: John Harrington Associate Editor: Eileen Harrington

## 2011: THE YEAR IN REVIEW: *Part One*\*

**January 10:** National Publisher Services (NPS) acquired Circulation Specialists Inc. (CSI). NPS also sold a 50% interest in the company to Henry and David Fry of Fry Communications....Under its new CEO, Jack Griffin, Time Inc. realigned its sports and news operations and named a president of each, Mark Ford and John Q. Griffin, respectively....Meredith Corp. hired Mark Peterson as vice president of newsstand....Borders Group, the second largest bookstore chain, stopped payments to some publishers.

**January 17:** Magazine advertising pages were up in the third quarter by 3.5%, according to the Publishers Information Bureau (PIB)....Borders Group has been reported to have hired a bankruptcy and restructuring law firm.

**January 24:** Magazine Information Network (MagNet) reported that the number of retail locations selling magazines declined by 10%, more than 15,000 outlets, between 2008 and 2010. The largest declines were in the convenience store and miscellaneous categories....Source Interlink Media promoted John Bode to executive vice president and chief financial officer....Borders Group laid off 45 employees, 40 at the headquarters office.

**January 31:** *The New Single Copy* wrote that over a 20 year "[The magazines] that survived and those that entered the business did all right, and maybe even a little better."....In a memo to employees, David Carey, president of Hearst Magazines, said, "We're no longer only in 'the magazine business.'...There is only media now, and it moves faster than ever."

**February 7:** MagNet reported that unit sales were down 8.0% for 2010 and retail dollars were down 6.6%. For the second half, units were down 6.6% and dollars were off by 6.0%....Lagardere SCA, the French company that owns Hachette Filipacchi U.S. Media announced it has agreed to sell its international magazine business to Hearst Magazines....Johnson Publishing, publisher of *Ebony* and *Jet*, has outsourced its circulation management to Shain & Oringer....Samir Husni reported that there were 805 new magazines in 2010, 103 more than in 2009....Borders Group said the company was facing delisting by the New York Stock Exchange because its stock had traded below \$1 for more than 30 consecutive days.

**February 14:** An analysis of the preliminary reports of the Audit Bureau of Circulations (ABC) and BPA Worldwide,

showed that single copy sales for the 2nd half of 2010 were down 6.9% in units and 6.8% in retail dollars. Subscription units were down 2.0% for the same period. For the top 25 titles, units were down 6.4% and dollars fell 6.8%. The average cover price for the top 25 was \$3.47, which was 0.5% lower than a year before.

**February 21:** Time Warner Inc. fired the CEO of Time Inc., Jack Griffin, who had only been in the position since the previous fall. A release said "his leadership style and approach did not mesh with Time Inc. and Time Warner."....Two Canadian wholesalers, News West Inc. (Calgary, Alberta) and Metro News (Toronto, Ontario) will merge into a single entity over the next 60 days. Daniel Shapiro, NewsWest, will be the president and CEO....Borders Group filed for Chapter 11 Bankruptcy protection. The company identified 200 stores that will be closed immediately....*The New Single Copy* wrote that to be successful in the digital world, publishers need a viable newsstand presence, which means they "must support and in fact strengthen the newsstand distribution channel."

**February 28:** Harrington Associates' special analysis of the final reports of the ABC and BPA reports found that retail unit sales were down 6.8% for all of 2010 and dollars were down 6.1%. Subscriptions, for magazines with any single copy sales, declined by 3.2%. For the same magazines, single copy represented 16.4% of all circulation, paid and verified. In 2009, the share was 16.9%.

**March 7:** In its annual data issue, *The New Single Copy* reported that supermarket magazine sales accounted for 33.4% (down 7.4%) of the total retail figure and supercenter sales were a 14.4% share (down 4.8%). Club stores were the only retail category that grew, by 4.7%, in 2010. Its share was 2.2%. The figures were compiled by MagNet. The leading title at retail, based on annual retail dollars was, as has been the case since the late 1990's, *People*, with \$265.6 million, over a \$100 million more than the number two magazine, *Us Weekly*. Nine of the top 10 were weeklies. *Cosmopolitan* was the leading monthly with \$83.5 million in retail sales. Its retail sell-through rate of 56% was the highest in the business.

**March 14:** A report from MagNet showed that 20 non-audited magazines are among the 100 leading retail publications, based on annual retail dollars. The leader among

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## Year in Review - Part One (cont.)

them was *National Enquirer*, published by American Media, Inc. (AMI). A comparison of audited and non-audited magazines found that audited titles represent 73.6% of unit sales and 61.5% of dollars...The struggle of Borders Group to survive is just part of the difficulties for magazines in the bookstore category, which has an 11.3% share of the market, and it had the largest decline, 9.9%, of any major category. Declining traffic in the stores, mainly due to e-retailing and digital books, mean less impulse sales, which hurts magazines disproportionately.

**March 21:** Lagardere Services, the France-based parent company of Curtis Circulation Company, announced a restructuring of its two core businesses, distribution and travel retail. LS Distribution is composed of the company's six distributors in Europe and Curtis in North America....ProCirc Retail Solutions Group named Scott Hill president. Hill named Tony DiBisciglie to be senior vice president.

**March 28:** According to Harrington Associates, 75 magazines raised their cover price in the second half of 2010, but only 21 (28%) improved their average unit sales. In the first half of the year, there were the same number of price hikes, but fewer, only 17 (23%) were successful in improving units....It was reported that Wal-Mart Stores, the largest retail seller of magazines, is now selling them at full cover price, after years of discounting them by 10%.

**April 4:** *The New Single Copy* wrote "[Publishers] should be restructuring, not tinkering with, the financial model that compensates wholesalers. Publisher models that can tolerate low efficiencies to maintain ad rate bases do not support wholesaler systems that are paid only for what is actually sold." Further, "The highest levels of the publishing business should be going out of their way to talk to their peers in the retail world."

**April 18:** American Media Inc. and Source Interlink Companies announced a licensing agreement whereby AMI will take over editorial, advertising, marketing, and distribution responsibilities for two Source publications, *Soap Opera Digest* and *Soap Opera Weekly*....For the first quarter of 2011, PIB reported that ad pages grew by 2.5%, marking the fourth consecutive quarter of growth. Ad revenues were up 6.1%....The Association of American Publishers (AAP) reported that February sales of electronic books grew by 202.3%. Hardcover sales were down by 43% and mass market paperbacks were off 41.5%....Michael Clinton of Hearst Magazines was named chairman of MPA the Association of Magazine Media.

**April 25:** A *SupermarketNews.com* survey of 10 large chains found that overall sales were up 1.85% in the second half of 2010, but that operating income fell by 5.4%. The survey said, "[Supermarkets] are positioned to continue enjoying slow but steady improvements in financial results."

**May 2:** *Men's Journal* is increasing its frequency from a 10-times to an 11-times schedule. *People StyleWatch* has added an 11th issue. The moves were notable because, during the recession, it has more common for publishers to reduce frequency....At Reader's Digest Association, Mary Berner has left the position of CEO and will be succeeded by Tom Williams....Both *People* and *Us Weekly* moved up their on-sale dates for their May 9 issues, which feature coverage of the British Royal Wedding. Cover prices for the issues were raised from \$3.99 to \$4.99.

**May 9:** Only a week after many weeklies published specials about the Royal Wedding, the same magazines were

increasing regular print runs to cover the death of the terrorist, Osama Bin Laden....*AdWeek* named *Food Network Magazine* as the number one title on its "Hot List." The Hearst Magazines publication has also been very successful on newsstand

**May 16:** An early look, by MagNet, at the sales of Royal Wedding issues finds double digit improvements over recent sales figures. For the Osama Bin Laden issue of *Time*, MagNet is calling it a "monster issue."...Two Time Inc. hires of departed CEO Jack Griffin have left the company. They were John Q. Griffin and Peter Kreisky.

**May 23:** Source Interlink Media purchased Mind over Eye, a digital marketing studio....Increases in gas prices are hurting retail sales because consumers are driving less. Of course, rising fuel prices are also a problem for wholesalers, increasing costs at a time when magazine sales are soft to begin with.

**June 6:** MagNet reported that magazine dollar sales were down by 5.9% in the first quarter. Using MagNet data, Harrington Associates estimated that unit sales fell by more than 8.0%....Hearst Magazines completed its acquisition of the U.S. properties of Hachette Filipacchi Media, making Hearst the second largest U.S. publisher, after Time Inc. Following the completion, Hearst announced that Will Michalopoulos, who was with Hachette, will become senior director, newsstand sales. He will report to Jim Miller, who comes to Hearst from Comag Marketing Group (CMG) and will be vice president, newsstand sales....Jan Wenner, owner of Wenner Media, said that some publishers' "rush to throw away [their] magazine business and move it on the iPad is just sheer insanity."

**June 13:** *Newsweek* will be distributed and marketed by CMG....John Swett has rejoined The News Group, where he will be vice president of process improvement....Lindsay Valk has left Hearst Magazines, where he was senior vice president, analysis & planning....Two private equity firms, Najafi Cos. and The Gores Group, are reported to be in discussions to buy at least some of the bookstores of The Borders Group.

**June 20:** At the Retail MarketPlace Conference, David Pecker, CEO of American Media, Inc., said, "We're in the content business and the most profitable delivery system of content is the newsstand." He also said that AMI will launch a new magazine in the "hottest entertainment area" later in the year. Sean Nolan, vice president and general manager of Rodale Digital called the printed magazine "the heart and soul of our business." About the conference, *The New Single Copy* said, "A broad range of retail classes are represented...., but with few exceptions, the top management levels are not there. To insure that the great messages...reach the highest levels, something needs to be done to get them there."

**June 27:** American Media Inc. bought *OK!* Magazine from Northern & Shell....*The Single Copy* reviewed 15 years of publishing, noting some of the watershed events of that period. "The concluding message was: "Change and The Future: *The New Single Copy* has been witness to its fair share of change during its 15 years. It would like to see a commensurate degree of change, but more positive, in the coming years. One reason for using our 15th anniversary to recap the period in broad terms is that, without some changes, there might not be a business to write about when our 20th anniversary rolls around."

\* *The date refers to the issue in which the item appeared. Part Two of "The Year in Review" will appear in our next issue, 1/2/12.*

January 2, 2012  
Volume XVI, #22

Editor: John Harrington Associate Editor: Eileen Harrington

## 2011: THE YEAR IN REVIEW: *Part Two*\*

**July 11:** There are reports that several major chains are reversing, or considering reversing, display and location policies that reduce either the amount and/or quality of magazine space in their stores. Also, several chains are eliminating self-checkout systems that hurt magazine sales....Curtis Circulation Company will take over back room services for *OK!* magazine, which was bought by American Media, Inc. (AMI)...*Martha Stewart Weddings* will go from a five-times to a six-times frequency in 2012....Meredith Corp. has purchased Eating Well Media Group, publisher of *Eating Well* magazine....AMI hired Mark Fierman as senior vice president of finance and CFO of the company's Distribution Services Inc. division.

**July 18:** The Source Interlink Company announced two hires and a senior promotion. Terry McGraw is the new senior vice president, corporate sales & marketing, and Steve Leach will be executive vice president, retail sales & marketing. Frank Bishop was named president of Source Interlink Manufacturing....Magazine advertising pages were essentially flat (plus 0.3%) for the second quarter of the year, but are up 1.3% for the first half. The figures were reported by Publishers Information Bureau (PIB)....Magazine Information Network (MagNet) reported there were more than 25 different magazines with covers devoted to the British Royal Wedding. MagNet estimates they added \$25 million to the newsstand marketplace.

**July 25:** A federal bankruptcy judge ordered the Borders bookstore chain into liquidation. The impact will primarily be felt by book publishers, but it will also be substantial for magazines. In 2010, Borders' magazine sales were \$128 million, or just over 3.0% of all retail magazine sales. The losses are expected to be felt most severely by some literary or cultural titles, as well as new magazines, which the bookstore chains have traditionally been more friendly to....There were reports that Reader's Digest Association has hired the investment banker, Evercore Partners, to find a buyer for the company.

**August 1:** *Bloomberg Businessweek* is expanding its alternative distribution plan for print subscribers. The goal is for about 30% of its 860,000 U.S. subscribers to receive their copies delivered with their Friday newspapers.

**August 8:** MagNet reported that magazine unit sales were down 10.4% for the first half of 2011 and retail dollars were down 8.4%....Comag Marketing Group (CMG) will take over the marketing and distribution responsibilities for *Elle*, *Woman's Day*, and the *Woman's Day Specials* as of 8/26/11. They are

former Hachette Filipacchi titles purchased by Hearst Magazines, which is a co-owner of CMG. CMG signed a long-term agreement with *Weight Watchers* magazine....A Harrington Associates analysis of total magazine revenues generated - retail, newsstand, and subscriptions - found that *People* is the only title, at \$1.5 billion, generating over \$1 billion. For the 173 magazines for which all information was available, 78.7% of revenue came from advertising, 12.6% from subs, and 8.7% from retail. As a share of circulation revenues, although newsstand represented only 13.7% of units, it accounted for 40.9% of dollars....The media services businesses of AMREP, which include Kable Media Services and Palm Coast Data, will be unified under Michael Duloc as the president and CEO.

**August 15:** Preliminary reports of the audit services (ABC and BPA Worldwide) show that magazine unit sales were down 10.6% for the first half of the year, and retail dollars were off by 10.1%. Of the 100 top newsstand titles, based on retail dollars, only 22 improved their average unit sales. As a group, the celebrity publications, which drove the category during the period of stability through 2007, suffered the most. Declines ranged from 10.2%, for the industry leader, *People*, to 15% and more for others.

**August 22:** Looking deeper into the first half 2011 audit service reports, *The New Single Copy* focused on titles that performed well. The highest average units per-issue increases were *Harvard Business Review* (plus 30.2%), *Rolling Stone* (plus 17.1%), *Time* (plus 16.1%), *Vogue* (plus 12.7%), and *Weight Watchers* (plus 9.8%). *First* magazine had the largest increase in retail dollars, \$3.3 million, or plus 15.4%. *People* continued to be the dollar leader at \$121.4 million, with *Us* second at \$67.1 million....Source Interlink hired Hugh Shannon as vice president, product management....CMG announced several promotions: Robert Brassell and Michael Gillen to senior vice presidents, and Todd Lundgren to vice president, client marketing services.

**August 29:** Time Inc. said that all of its 21 U.S. titles will be available in digital tablet editions by the end of the year. However Time has not resolved its differences with Apple and the iPad platform. Apple does not share subscriber information with publishers unless the customers agree to do so. Hearst Magazines and Conde Nast have reached agreements with Apple, but the terms have not been made public....Now the second largest bookstore chain, Books-A-Million (BAM) is trying to take advantage of the collapse of Borders. BAM has agreed to

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## Year in Review - Part two (cont.)

acquire 14 of Borders' store leases.

**September 12:** CMG announced it will begin distribution of *Maxim*, published by Alpha Media Group, effective the December 2011 issue....Chris Butler has joined Source Interlink Media as vice president, single copy sales and marketing....Final figures for the first half of 2011 were troubling. Audited magazine unit sales were down 10.6% and dollars were down 10.1%. Figures for total sales, audited and non-audited, were similar: units off 10.6% and dollars off 9.9%.

**September 19:** Hearst Magazines president, David Carey, said at a conference, "Tablets allow us to get into continuous service monthly billing. We're selling a lot at \$1.99 a month - \$24 a year - which is often more than we get in print. We don't have to get in this funny process...where we ask readers, "Are you sure want to continue with us?" He also noted that "approximately 40% of [digital] copy sales occur after the physical copy has gone off the newsstand." Like cable TV and movies, product can be available for much longer....Some retail trade press sources reported that Big Y, a New England chain, will remove self-checkout lanes from their stores.

**September 26:** In an interview with *The New Single Copy*, Mike Sullivan, CEO of The Source Interlink Companies, said, "The newsstand is under stress...Even where there are signs of recovery,...magazine sales are still stuck in a downward pattern." Emphasizing that Source's distribution division is a logistics provider, he said, "Publishers determine price and discount...Our team determines the amount of product we can bring to market and the level of service we can provide, based on the margin received for a particular magazine title." Concluding, he said, "Rebuilding newsstand is a critical cause we should all embrace."....Three women's titles reduced their frequencies: Two Hearst magazines, *Harper's Bazaar* from 11 to 10-times a year, and *Woman's Day*, from 15 to a monthly schedule; and Meredith's *Family Circle*, also from 15-times to monthly.

**October 3:** Hearst Magazines will launch *HGTV Magazine* with a first issue this week, a newsstand distribution of nearly 500,000 and a \$3.99 cover price. A second issue is planned for January. The launch plan is similar to what Hearst used for *Food Network Magazine*, one of the most successful new titles in recent years....Bonnier Corp. purchased *Cycle World* from Hearst Magazines, which itself had only recently acquired it as part of the purchase of Hachette Filipacchi....Harrington Associates reported that the first half of 2011 was one of the worst for magazine cover price hikes. Only 53 audited titles raised theirs, and only four of those improved their average unit sales. In 2010, in each six month period, 75 publications increased the cover price and around 25% were able to improve their sales....Reader's Digest Association terminated its CEO, Tom Williams, who had been in the job only since April. He will be replaced by Robert Guth.

**October 10:** At the recent AMC, which is no longer the American Magazine Conference, having been renamed AMC the Magazine Media Conference, digital topics dominated the agenda. A CEO panel agreed that the most important challenge is making sure that consumers pay for content. MPA, one of AMC's sponsors, announced two new publications, both devoted to digital topics, "Personal Mobile Devices" and "A Digital Glossary." Newsstand was singled out by Michael Clinton, the MPA chairman, when he said everything "starts with newsstand," and all publishers should want to insure that there is a "strong, healthy newsstand."....Levy Home Entertainment has been sold by The Chas. Levy Company to Readerlink LLC, an affiliate of Treesdale Investment. The president of Readerlink is Dennis Abboud, once an executive at Levy. Levy's CEO, Carol

Kloster, will remain with the company in the same position....James Mate has left Conde Nast, where he was vice president, retail marketing. His responsibilities were being divided up....*Penthouse* magazine outsourced its circulation department to ProCirc.

**October 17:** Magazine advertising pages were down 5.6% for the second quarter, according to PIB. Revenues were off 1.5%. Year-to-date, pages are down 1.1% and dollars are up 2.1%....Meredith Corp. said it has reached an agreement to purchase *Every Day with Rachel Ray* from the Reader's Digest Association....Reporting on accounts of a large wholesaler battling with publishers over discounts, *The New Single Copy* wrote, "There are issues about margins beneath the surface that are rooted in a structural disconnect that threatens the stability of the entire magazine retail distribution channel....The economic models of publishers, national distributors, and wholesalers are not in alignment." The article concluded with, "[The channel] might not survive if some of the conflicting practices of its channel partners are not addressed and resolved."

**October 24:** MagNet reported that, beginning in August, sales of monthlies and other non-weekly titles have either produced retail dollar sales increases, or shown only negligible declines of one percent or less. Much of the improvement is due to the many so-called book-a-zines coming into the market.

**November 7:** The Clark Group, a print industry logistics provider, was sold to The Gores Group, a private equity firm, which a year ago, bought Alliance Entertainment from The Source Interlink Companies....Meredith Corp. completed the purchase of *Every Day With Rachael Ray* from the Readers Digest Association....MagNet expanded on its recent report, noting that 2010 sales of book-a-zines were \$400 million, nearly a 10% share of the magazine total....*The New Single Copy* called ACT2, the recently concluded conference at the University of Mississippi, even better than the 2010 event, which it said was, "an outstanding perspective on the state, current and future, of the magazine business."....Books-A-Million (BAM) is opening a total of 41 new stores, while closing 21.

**November 14:** James Cohen, CEO of Hudson Media Inc., addressing the 25 Year Club, said magazine publishers need to "shore up the system and support those companies that truly add value to the system, which will cost them something." He contrasted the magazine business with other industries, where he said, "the manufacturer controls how the product is marketed and sold." In publishing distribution, "Top down control simply doesn't exist and hasn't for many years."....Hearst Magazines is going back to press for an additional 135,000 copies of *HGTV* magazine.

**November 21:** American Media announced the launch of *Reality Weekly*, devoted to the "hottest reality shows on TV." It will debut in January, with a cover price of \$1.79, and an initial distribution in the range of 250,000 to 400,000....Conde Nast will publish *Vanity Fair: Hollywood Scandal, Sex, and Obsession*, a book-a-zine.

**December 5:** Time Warner named Laura Lang, a digital ad executive, as the new CEO of Time Inc., the largest magazine publisher....MagNet reported that dollar sales were down 8.7% in the third quarter. However, titles ranked 51 to 100 were actually up 10.4%, still not enough to offset the 9.6 fall-off of the top 50 magazines.

**December 12:** Magazines will no longer be sold in U.S. military commissaries overseas. However, the magazine wholesaler to those locations expects the losses to be minimal. 95% of magazines on the bases are sold in military exchanges and the lost commissary sales should migrate to the BXes.

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

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