

The Ever-Changing Newsstand

In the world of single-copy sales, there are many issues

BY SCOTT BULLOCK

Many of the newsstand issues we're facing today are the same ones we've always faced: under-priced magazines, too many copies that don't get sold and competition with bigger American titles. At the same time, things are changing faster than ever: data is more accessible, our dollar is at parity and our checkout real estate is under threat.

In the U.S., where Canadian developments are almost always foreshadowed, scan-based trading has become a major issue, while a precedent-setting pricing case involving Bauer has circulators both intrigued and alarmed.

To make sense of it all, we've highlighted all that's new, old and changing in six key areas that will be top-of-mind over the next year and beyond.

1. Efficiency

Let's face it: low sell-through efficiencies are embarrassing. The sad reality is that publishers print and ship 100 magazines to sell 35 copies. Still, no publisher wants to see allotments cut or dealers deleted. While cutting may improve efficiency, it guarantees less visibility on the newsstands and often results in fewer units sold. Publishers can sometimes justify low sell-through efficiency because it is often cheaper than direct-mail-sold circulation.

This issue remains a priority for wholesalers and retailers. "While sales in 2007 are unchanged from a year ago, cost inputs continue to rise, especially in fuel, which is a critical factor in such a logistics-driven business," says Ray Argyle, executive director of Periodical Marketers of Canada.

The benefit of a consignment-based delivery model is that everyone in the supply channel, in theory, has incentive to make a sale—without a sale, no one gets paid. Canada Post makes money regardless of whether the reader has paid for the magazine or not.

"Low sell-through efficiency remains a huge focus for us," says Arlene Shepard, VP of press management at Gateway Newsstands. "Magazines are labour intensive products to handle, and carrying unsold inventory has negative cash-flow implications." Retailers continue to raise the issue with their suppliers (wholesalers), and wholesalers continue to raise it with their suppliers (national distributors).

"The NewsGroup believes that the indus-

try needs to operate in the mid-40% range," says Kevin Brannigan, vice-president of Canadian circulation at the NewsGroup. "Many publishers already operate at or above this level. However, there are far too many titles that do not. Shockingly, many titles operate below 30%. A returns rate of 70% is simply unacceptable. These copies merely clutter up display racks and add expense, not value, to the channel. Eliminating under-performing copies (not the titles) will help the newsstand business, not hurt it."

This issue is also a major focus in the U.S., where it is reported that Anderson News and NewsGroup have eliminated 140 million copies from distribution. The results appear to have

Top 10 Newsstand Sellers in Canada

Title	2006 Retail
1. People	\$32,024,833
2. Star	\$20,368,050
3. Us Weekly	\$16,866,192
4. National Enquirer	\$14,850,769
5. Cosmopolitan	\$10,384,009
6. Woman's World	\$14,736,949
7. In Touch Weekly	\$9,296,411
8. Globe	\$8,087,568
9. O Oprah	\$7,803,504
10. Life & Style	\$7,130,686

Source: Coast to Coast Newsstand Boxscore

improved sales efficiency by 5% without causing a meaningful loss in sales.

Prediction: Distributors will continue to feel pressure from their retail and wholesale trading partners to trim back allotments. If fuel prices climb, look for heavier cuts to help reduce expenses. Otherwise, the only alternative is on the revenue side. This could result in a special levy on unsold copies as a disincentive to waste. On the flip side, publishers achieving excellent efficiency may argue they deserve a financial reward for eliminating waste and clutter.

2. Data

National distributors today have remote access to data that in the past was only accessible to those willing to travel to rep rooms. "Timely digital data is key to us," says Alexandra Cooper, associate publisher and

director of consumer marketing at *Canadian House & Home*. "The access to this data has never been better. However, acting on it quickly remains a challenge. Data is great, but only if it helps us leverage more sales faster and more efficiently." The challenge, Cooper says, is to analyze data, communicate the findings back through the supply channel and act on those conclusions.

"Huge investments have been made to provide publishers with current, digital data that drills right down to the individual retail account," says Glenn Morgan, president and CEO of Coast to Coast Newsstand Services. "Never before has there been such transparency in the distribution chain,"

Getting numbers about your own title is of course valuable, but so is contextual data. "The recent release of the Canadian Newsstand Boxscore [ctcmagazines.com/boxscore] is helpful. It puts in perspective how competitive it is at retail for Canadian publishers," says Peter Willson, associate publisher and director of consumer marketing at *Hello! Canada*. Out of the 2,700 titles listed, "not a single Canadian magazine was in the top 10 performers list. It reminds us that we have to continue to invest in relevant editorial packages, compelling covers and aggressive and innovative marketing," said Willson.

The statistics tell the story. *People* magazine generates more retail dollars from Canadian newsstands than the combined sales of *Canadian Living*, *Canadian House & Home*, *Style at Home*, *Chatelaine*, *Reader's Digest*, *Hello! Canada*, *Maclean's*, *The Hockey News*, *Canadian Living SIPS*, *Elle Canada*, *Flare*, *Lou Lou*, *Dogs in Canada*, *The Hockey News Yearbook* and *Canadian Geographic*.

Prediction: Small-circulation magazines will continue to be distributed primarily through direct-to-retail operators such as Disticor Direct and LMPI, who achieve high sell through by focusing on extremely efficient bookstores and specialty news dealers.

3. Pricing

The single-copy channel continues to generate good news when it comes to pricing, according to John Harrington, editor of U.S.-based newsletter *The New Single Copy*. Of the 101 American magazines that raised their cover price in the first half of 2007, 70 of them post-



ed higher overall gross revenues.

In a recent U.S. case, wholesalers successfully argued that low cover prices on Bauer titles — such as *First for Women*, *Woman's World*, *In Touch* and *Life & Style*—were not profitable. Bauer was essentially forced to raise cover prices by a collective 35%, something that it resisted for fear of negative rate-base implications. What's notable here is that wholesalers have asserted themselves and won some financial relief. Industry watchers have called this decision "precedent setting."

It has been reported that other magazine publishers are quietly relieved. Why? Because Bauer's low prices inhibited their ability to compete for unit sales and restricted or limited their ability to raise cover prices.

Here in Canada, *Maclean's* went from \$4.95 to \$5.95 in June of 2007 and sales continue to improve. "*Maclean's* retail sales continues to increase year over year," says Brinda Luckoo, consumer marketing director at the weekly. "This demonstrates the strength of our content—readers have responded enthusiastically to the refocused *Maclean's*."

The Beaver, meanwhile, raised its price from \$5.95 to \$6.95 in June of 2006 and unit sales have increased by 44%. Sell-through efficiency is up modestly and retail dollars are up 69%. "We've invested a lot in editorial improvements to the magazine and felt the price increase was reasonable. It's rewarding to see those investments pay dividends at the newsstands—dividends that will go right back into building an even better magazine," says publisher Deborah Morrison.

Since magazines have to compete with products such as razors, greeting cards, batteries and candy for precious in-store real estate, the ability for our "under-priced" products to generate more dollars is good news for everyone in the supply channel.

One pricing issue getting a lot of mainstream press attention centres around the Canadian dollar, which is now trading at par. U.S.-based magazines typically sport dual cover prices on their bar code—usually \$1 higher. This made sense with a 65-cent dollar. So what now? U.S. magazines have begun to remove the American price from covers. Store clerks who were being abused will be relieved. While the Canadian consumer does not benefit from the stronger dollar, it appears the Canadian pub-

lishing community is happy with this strategy. Clearly, wholesalers, distributors and retailers don't want to see magazine prices dropping when the supply channel is already financially stressed. And Canadian publishers probably have no interest in American-based magazines lowering their prices either, as it would make competition for unit sales even more challenging than it already is.

Prediction: Pushing prices up will remain a dominant theme. SIP's will lead the charge, along with specials and annuals. New launches will have the courage to start off at a higher retail price.

Top 10 Canadian Newsstand Sellers

	2006 Retail	Overall Rank
1. Canadian Living	\$4,887,057	15
2. Canadian House & Home	\$4,699,518	16
3. Style at Home	\$3,388,785	19
4. Chatelaine	\$2,920,383	23
5. TV Guide – all editions	\$2,561,015	30
6. Reader's Digest	\$2,290,172	37
7. Hello! Magazine	\$2,077,658	41
8. Time Canada	\$2,031,446	43
9. Maclean's	\$1,888,350	44
10. Weekly Scoop	\$1,874,673	45

Source: Coast to Coast Newsstand Boxscore

4. Scan-Based Trading

While not a major concern in Canada yet, a survey of U.S. wholesalers found that 25% of sales are scan-based trading (SBT). Wal-Mart (with 3,000 stores in the U.S.) is driving the bus on this issue. There are two major concerns and potential shortcomings with SBT:

1. Who is responsible for "shrink," i.e. copies that are stolen or go missing? In the past, these copies counted as sales. Under scan-based trading, only copies that have been scanned at the register count as sales.

2. Inability to scan a magazine's issue code, thus compromising sales data by issue date.

Prediction: This issue will be driven by major U.S. retailers and will eventually be forced upon us. If issue code reading can be worked out, SBT could theoretically bring about a radical change in just-in-time delivery and a return of re-orders for hot-selling magazines.

5. Retail Display Allowance

According to Glenn Morgan of Coast to Coast, the current retail display allowance (RDA) system is "archaic" and in need of reform. "Today's reality is that RDA is paid on virtually 90% of all copies sold on newsstands. This makes a case for the adoption of pass-thru RDA."

Morgan argues that pass-thru RDA would enhance the magazine category with Canadian retailers, eliminate tremendous amounts of paperwork and administration and eliminate the potential for overpayments on inaccurate RDA claims. "It is my hope that a model can be built that will provide benefits to publishers, distributors and retailers," Morgan says.

Prediction: This issue will not be resolved quickly. But, given the spirit of co-operation evidenced recently in the sector, there seems to be a willingness to seek win-win solutions that may yield a positive outcome in the interim.

6. Real Estate

Another trend being watched closely revolves around protecting the magazine industry's retail "real estate." Ross McLeod, president of Fact Base Marketing, who spoke at a well-attended MagNet seminar hosted by Michael Fox last June, has been retained by a number of top Canadian publishers and national distributors. Together, they're developing strategies to protect magazines from new threats: the introduction of U-Scans at major grocery chains and big-box retailers and the aggressive competition for space from other packaged goods.

While most Canadian magazines do not directly benefit from protecting checkout space, it can be argued that all of us have a stake in the success of this front-end task force. Why? If major retailers are not persuaded that the magazine category is valuable and worthy of support, then it follows that valuable mainline space could also be sacrificed to other packaged goods as well. Industry leaders understand the time has come to work collectively to ensure that retail space is protected and even expanded.

Prediction: With the industry now working more co-operatively and with costs to generate subscriptions relentlessly rising, retail sales will become more important to publishers than ever. Look to see magazines at U-scans in Canada soon. **M**

The Numbers Game

Who's up and who's down? We've got the goods on mags making the most noise

BY SCOTT BULLOCK

Each year in our Circ Watch feature, we provide the top 45 magazines audited by ABC and CCAB/BPA and ranked by total paid subscriptions. While the lists themselves are certainly worth a look, the stories hidden within the data are even more fascinating. Here, we focus on the single-copy side of things. For an online exclusive that's all about subs, visit MastheadOnline.com.

Big Winners

ABC-audited English-language units are up 3%.

Canadian Home & Country achieved a stunning 155% increase in single-copy sales for the June 2007 period. The average units sold increased to 31,125 copies per issue, up from 12,208 for the same period a year ago. That represents an astounding increase of 75,668 units sold in the period—a positive sign for the Canadian shelter category.

"*Canadian Home & Country* is very proud that we are resonating with Canadian readers," says Jacqueline Howe, VP and group publisher at Transcontinental Media. "Our growth has come largely at the expense of the U.S. magazines like *Country Home* and *Country Living*."

Homemakers leads CCAB/BPA titles in single-copy sales growth, posting a very good 157.8% increase for the March 2007 period, with an increase of 33,947 units sold in the period.

Venerable Brands Back with a Vengeance

Maclean's, the magazine critics were writing off as a dying title in a dying category, achieved a 20% increase in single-copy sales for the June 2007 period. Extremely impressive given the 51% increase it achieved the previous year.

Toronto Life, meanwhile, posted its best newsstand performance since June 2003, with average sales up nearly 17%.

Glam Selling

Fashion posted a fabulous increase for the June 2007 period, with sales up 26.4%, while competitor *Flare* posted a strong 13% increase, with sales averaging 16,983 copies an issue.

Elle Canada had a poor newsstand showing, dropping 14.2%, though subs are up 14.7%.

Strength Out West

Western Sportsman posted a 57% increase in single-copy sales, the third-best for ABC titles.

ABC FAS-FAX TOP 45

For six months ending June 2007

	SUBS	SINGLE COPY	TOTAL PAID	+/- % VERSUS 2006		
				SUBS	SINGLE COPY	TOTAL PAID
Reader's Digest	867,469 ¹	51,760	919,229	-3.6	7.8	-3
Chatelaine	534,972	61,915	596,887	-3.6	1.8	-3
Canadian Living	388,953	123,267	512,220	2.3	-9.7	-0.9
Maclean's	357,039	9,355	366,394	-1.8	20	-1.4
Canadian House & Home	172,828	72,449	245,277	-3.1	3.5	-1.2
Sélection du Reader's Digest	232,916 ²	11,238	244,154	-2.5	3.6	-2.3
Time	229,425 ³	6,625	236,050	1.2	-9.9	0.9
Style at Home	177,614	52,414	230,028	-0.6	0.3	-0.4
Coup de Pouce	174,814	45,848	220,662	-1.5	0.7	-1.1
Canadian Geographic	190,885	15,139	206,024	-6.3	4	-5.6
Châtelaine	177,542	22,564	200,106	-0.7	-5.5	-1.3
Alive	1,894	191,846	193,740	-35.6	9.8	9
L'actualité	171,217	7,228	178,445	-3.6	-11.3	-3.9
Canadian Gardening	139,094	12,445	151,539	1.0	-17.9	-0.8
Flare	134,074	16,983	151,057	-5.7	12.9	-3.9
Good Times	145,012	678	145,690	1.4		1.9
Lou Lou	119,172	22,383	141,555	10.1	-8.2	6.8
Bel Age	131,548	4,755	136,303	-0.9	4.6	-0.7
Today's Parent	125,586	9,173	134,759	-8.6	-29.3	-10.3
Elle Canada	100,242	32,709	132,951	14.7	-14.2	5.9
Canadian Home & Country	96,073	31,125	127,198	-15.9	155	0.6
Wish	95,157	30,389	125,546	-2.3	8.6	0.1
Harrowsmith Country Life	109,531	15,380	124,911	-3.4	14.6	-1.5
Fashion	114,496	9,297	123,793	-3.5	21.3	-2
Protégez-Vous	106,346	13,839	120,185	0.4	-2	0.2
MoneySense	100,719	14,001	114,720	-6.9	26.5	-3.8
TV Hebdo	67,718	46,996	114,714	-7.1	1.5	-3.8
Canadian Home Workshop	107,149	5,244	112,393	-10.1	-9.6	-10.1
Hockey News	87,874	12,874	100,748	7.7	-3.9	6
Profit	73,158	25,063	98,221	---	---	---
Toronto Life	80,134	12,208	92,342	-2.1	16.8	0.1
7 Jours	2,320	88,626	90,946	-6.0	-21.2	-20.9
Outdoor Canada	82,289	7,780	90,069	-2.0	4.5	-1.5
Elle Québec	61,654	25,771	87,425	-4.0	23.9	2.8
Affaires Plus	84,150	1,915	86,065	-2.4	31.8	-1.8
Gardening Life	72,496	13,528	86,024	-14.0	3.3	-11.7
Canadian Business	78,267	6,315	84,582	-6.2	29.6	-4.2
Décormag	73,907	9,299	83,206	1.3	-16.9	-1.1
Les Affaires	79,286	2,078	81,364	-1.1	10.5	-0.9
Décoration Chez-Soi	60,791	20,231	81,022	18.7	0.2	13.4
Clin d'oeil	50,918	23,263	74,181	10.3	16.9	12.3
Fleurs Plantes Jardins	62,779 ⁴	10,977	73,756	19.2	15.4	18.6
Les idées de ma maison	56,113	17,266	73,379	16.4	-22.2	4.2
Lou Lou (French)	54,966	15,444	70,410	10.4	-7.9	5.8
La Semaine	1,000	62,439	63,439		-12.6	-11.2

¹ includes 49,345 verified subs; ² includes 14,122 verified subs; ³ includes 43,000 verified subs; ⁴ denotes time period prior to ABC membership; ⁵ includes 5,050 verified subs. Please note: dramatic fluctuations in single-copy sales may be due to unusual bulk deals and may not reflect pure newsstand performance.

Cottage posted a 26.4% increase; only five other magazines can claim such a large bump.

British Columbia Magazine had another solid year, selling an additional 6,695 units in the March 2007 period, a 54.8% increase from March 2006.

Back In Business

Canadian Business posted another stellar performance, with a sales increased 30% for the June 2007 period. Average units sold increased to 6,315 copies per issue, up from 4,873 for the same period in 2006.



CCAB TOP 45 For 2006/2007

	SUBS	SINGLE COPY	TOTAL PAID	+/- % VERSUS 2006		
				SINGLE COPY	SUBS	TOTAL PAID
Touring ¹	649,154		649,154			3.4%
Westworld British Columbia ¹	522,044		522,044			1.0%
Movie Entertainment	513,177		513,177		-35.2%	-35.2%
Westworld Alberta ¹	492,134		492,134			6.2%
Primeurs	374,744		374,744		-2.9%	-2.9%
Homemakers Magazine	315,501	55,464	370,965	157.8%	-11.0%	-11.0%
Bell TV Magazine ^{1,2}	328,270		328,270			
Our Canada	284,539	6,586	291,125		17.0%	17.0%
Legion ¹	290,512		290,512		3.7%	-7.3%
Golf Canada ¹	144,035		144,035		-12.4%	-0.9%
British Columbia Magazine	101,512	18,163	119,675	58.4%	-1.8%	-1.8%
Westworld Saskatchewan ¹	110,467		110,467			1.0%
Hometown Hockey ¹	103,086		103,086			-11.0%
Madame	98,010	2,50	100,510	-39.2%	-9.7%	-9.7%
Chickadee	93,824	2,23	96,061	-0.1%	3.0%	4.1%
Ontario Out of Doors ¹	83,166	6,816	89,982	134.2%	-14.6%	-4.5%
Score Golf ¹	68,432	10,625	79,057	15.7%	-97.2%	-1.0%
Chirp	73,442	1,447	74,889	-15.8%	5.4%	6.4%
OWL	72,663	1,437	74,100	3.9%	6.2%	7.2%
Cottage Life	58,728	11,893	70,621	2.4%	-0.6%	-1.2%
TV Week	58,827	10,766	69,593	21.8%	35.2%	35.2%
The United Church Observer ¹	61,887		61,887	-100.0%	-57.1%	-6.4%
Magazine Sentier VTT/Quad ¹	52,556	1,615 ³	54,171	-40.9%	-100.0%	3.8%
Conservator ^{1,3}	53,241		53,241			
Ontario Snowmobiler ¹	52,119		52,119			-17.4%
The Walrus	37,106	14,574	51,680	39.3%	32.5%	5.1%
Aventure Chasse et Pêche	36,336	14,792	51,128	-4.4%	23.9%	23.9%
The Outdoor Edge	45,709		45,709		2.0%	2.0%
Le Magazine Enfants Québec	42,513	2,045	44,558	-19.4%	26.6%	11.4%
Camping Caravaning	41,417	1,356	42,773	-16.7%	22.7%	22.7%
Ski Canada	33,670	6,673	40,343	0.7%	64.4%	23.8%
Downhome	23,837	15,514	39,351	3.1%	14.9%	14.9%
Dogs in Canada ¹	35,080	706	35,786	-23.2%	10.9%	22.3%
Saltscapes	29,491	4,721	34,212	-10.9%	-8.1%	6.8%
Ontario Golf ¹	30,317	159	30,476	-26.1%	-18.9%	-1.2%
Pets Magazine	31,626	750	32,376	25.0%	1.0%	1.0%
explore	22,761	5,481	28,242	2.0%	-2.2%	-2.17%
Outpost Magazine	22,701	3,138	25,839	-15.7%	-6.4%	-7.4%
Photo Life	13,776	11,703	25,479	-27.5%	2.7%	-2.2%
GardenWise	21,294	4,141	25,435	6.9%	-10.6%	-2.1%
Pop!	23,911	239	24,150	-47.4%	-72.0%	-72.0%
Cycle Canada	19,448	3,296	22,744	-31.0%	-7.6%	-7.6%
Summum	7,791	15,200	22,991	7.7%	38.2%	38.2%
Géo Plein Air	17,640	4,450	22,090	12.9%	-8.7%	-3.5%
Yes Mag ⁴	20,151	388	20,539			

¹ majority of subs are either sponsored or included with a membership; ² initial audit for three months ending May 2006; ³ initial audit for three months ending April 2006; ⁴ initial audit for three months ending Oct 2005.

MoneySense posted its best newsstand performance ever. Sales increased 26.5% to a record 14,001 units sold per issue.

The Walrus got a little fatter, with unit sales up 4,115 for the March 2007 vs. the March 2006 period.

French (Dis)Connections

Overall, French-language ABC titles showed a decline of 4%. *7 Jours* leads decliners, losing an average of 23,913 copies per issue, or a staggering 509,199 unit comparing June 2007 to June 2006. At a \$3.99 cover price, that represents a

loss of \$2,031,704 gross retail dollars.

La Semaine also took a pounding, losing an average of 8,984 copies per issue and 162,161 units year-over-year for the June period. At a \$3.61 cover price, that represents a loss of \$585,401 gross retail dollars.

On the flip side, *Le Lundi* posted a 27.4% increase, yielding 102,253 additional units sold, with a gross dollar value improvement of \$356,862.

Star Systeme is beaming, having posted a 25.3% increase, which yielded 188,207 additional units sold compared to the prior June period, and a gross dollar value of \$649,314.

What's up with *Moi & CIE*? Frequency was reduced from 24 to 13 times per year, and average sales per issue increased by 72% from 16,962 to 29,095 in June 2007.

The Cat Fights

In women's service, *Chatelaine* posted a modest gain of 1.8%, with units up an average of 1,105 per issue. *Canadian Living* took a bit of a beating, posting a 9.7% drop in units sold and the largest overall unit decline, shedding 79,746 units for the June period. *Canadian Living* still moves an average of 123,267 units per issue, more than twice as many as *Chatelaine*.

Canadian House & Home leads the home and shelter category this year, posting a gain of 3.5%, with units up 2,447 per issue and yielding an average sale per issue of 72,449 copies. Wearing a \$5.95 cover price, this market leader generated a \$431,071 gross in the period.

Style at Home posted flat sales, averaging 52,414 units sold per issue, still a remarkable achievement for a Canadian magazine. At a \$4.95 cover price, it yielded \$259,449.00 gross revenue in the period.

Wish posted an impressive 8.6% gain at the newsstand for the June 2007 period. The average sale per issue was 30,389 copies at a \$4.50 cover price. *Lou Lou* (English) posted a disappointing 8.2% decline but still managed to sell 22,383 copies at a \$4.25 cover price.

The gardening category isn't growing, but *Gardening Life* managed to modestly increase their sale by 3.3% to 13,528 units sold per issue, their best number since June 2005. *Canadian Gardening* wilted by 17.9%, shedding 2,706 units per issue to an average sale of 12,445, their worst June performance since 2004. **M**