

# THE • NEW • SINGLE • COPY

A NEWSLETTER ABOUT PUBLISHING AND PUBLISHING DISTRIBUTION

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## ***Large Canadian Wholesalers Form Joint Venture to Provide Logistical Support in Ontario***

Metro News and The News Group, competing mass market magazine wholesalers, have entered into a cooperative agreement to form a logistics provider, ProLogix, which will operate in the Ontario market. Metro and News Group will "outsource" all receiving, bundling, retail delivery, and return processing services to the newly created company. ProLogix trucks will deliver magazines and books to retailers, but Metro and News Group personnel will continue to provide in-store merchandising services, as well as bill and collect from retailers. Metro and News Group will also maintain order/regulation files and all relations with publishers and other suppliers. All of the logistics facilities of the two wholesalers have been sold to ProLogix, whose primary facility will be the Toronto warehouse formerly operated by Metro. ProLogix will also utilize eight to ten other locations once owned either by Metro or News Group. Mitch Massicotte, who was the president and COO of

Metro News will be the president of ProLogix, which plans to be operational as of April 1. Massicotte said that outsourcing all physical distribution and return services will provide Metro and News Group with cost savings because ProLogix, by combining retail deliveries, as well as all pre-delivery services, will have lower costs as a result of market density. Other cost savings and enhancements may be achievable in the future because of a greater ability to invest in state-of-the-art technologies. Massicotte further said that the partners intend to build ProLogix into a logistics supplier to other industries as well. Estimates are that Metro and News Group each represent approximately 50% of mass market magazine sales in Ontario. News Group competes throughout Canada; Metro has business and financial relationships with other mass market magazine wholesalers that compete with News Group throughout most of the country as well.

## ***News From Around the Business: Reader's Digest. CMG's IMPACT update. Time Inc. subscription deals. Personnel and Retail notes***

Pegasus Sales, Inc., a subsidiary of **Reader's Digest Association**, entered a distribution agreement with Warner Publisher Services and Time Distribution Services. The agreement takes effect with the May 2002 issues of *Reader's Digest*, *Reader's Digest Large Type*, *American Woodworker*, *Family Handyman Home Plans*, and the U.S. edition of *Selecciones*. The titles have been nationally distributed by TV Guide Distribution....Mike Sullivan, president and CEO of **Comag Marketing Group (CMG)**, says the company's new program, *IMPACT (The New Single Copy, 2/4/02)* has been reviewed and will be mailed to wholesalers in early April....Reader's Digest Association has been widely reported to be in negotiations to purchase Reiman Publications, a publisher of advertising-free, lifestyle magazines....**Time Inc.** has bought the subscriber files of two recently closed magazines: *Working Woman* (227,000 names) and *Talk*

(600,000)....Personnel notes: Barry Weir was named vice president and general manager at **Metro News**, Toronto, Ontario....**Rider Circulation Services** hired Keith Jacobs as vice president of publisher services....Jerry Rheinhart has been appointed executive vice president, sales and marketing of the **IPD** division of the Source/Interlink Companies. He was with Ingram Periodicals....At **DSI**, Roy Oteo was promoted to director of client service, New York office; Mike Pridmore joins as account executive; and Susan DeFalco was promoted to account executive....Retail Notes: **Albertson's** announced it will close all of its stores in four markets: Memphis, and Nashville, Tennessee; Houston, and San Antonio, Texas....**Wal-Mart** is reported to be expanding its Neighborhood Market format (smaller grocery stores) to the Birmingham, Alabama, area....Charles Conaway, who was the CEO of **Kmart** before being demoted to COO, resigned.

## Some thoughts about Scan-Based-Trading, and Magazines

Editor's note: *While scanning of UPC symbols has been a reality in the mass market magazine distribution channel for more than 20 years, the move to a scan-based-trading environment is a more recent development. It has been on the agenda at the Retail Conference for the last two years. The following on the subject are excerpts from the 2001 edition of The Magazine Retail Sales Experience: Rebuilding the Distribution Channel, a publication of Harrington Associates.*

From [a] limited backdrop of experiences drawn from [other product lines] that have experience in SBT, three characteristics stand in stark contrast to the magazine situation.

1. All SBT relationships in operation and/or in consideration today are between retailers and the manufacturers, who clearly control the production, and establish the pricing of products. Magazines, from virtually hundreds of publishers and scores of national distributors, are delivered to retail chains by mass market magazine wholesalers, who have no control of production and only limited influence on schedules...

2. The existing relationships are between retailers and manufacturers who deliver a limited number (under 100 SKU's) of products. Mass market magazine wholesalers deliver, even to chains with tightly controlled authorization lists, rarely fewer than a 1000 different magazine titles.

3. In each of the existing SBT experiences, both the retailer and the supplier expect that a benefit for both parties will be an increase in sales resulting from a reduction in out-of-stocks due to a subsequently more effective replenishment program. In the magazine distribution channel, where more than 60% of product is returned, where out-of-stocks are virtually non-existent, and where no inventory is maintained, SBT cannot rationally be expected to generate sales increases.

[Several other contrasts are unique to magazine distribution]...

Issue Coding: The Mercer Report categorically stated that "Retailers must read and process issue code"... If retailers do not have this capability, in

order to meet national distributor requirements, any wholesaler willing to enter into an SBT program would have to maintain a parallel system, a requirement that could be financially crippling.

Parallel Systems: While it may be acceptable in the test stage, and in order to establish levels of shrink and other tolerance factors, no SBT program [is likely] to be acceptable to wholesalers if they must maintain their current return processing systems to meet national distributor audit requirements. Not only does this fact make the retailers' reading of the issue code an imperative, it also [follows] that national distributors accept the retailers' scan-captured data just as they presently accept the wholesalers' data...

To some extent wholesalers will be forced to maintain parallel systems because their current return processing operations will still need to be in place for non-SBT retailers. If wholesalers find their SBT accounts to have advantages,... an incentive may have been created for wholesalers to speed the development of SBT throughout their retail account base. However, most assuredly, many retailers will never be, at least for an identifiable future, interested in, or capable of, SBT programs. Yet some of those same retailers may be of sufficient size that wholesalers will want to continue to do business with them, meaning the wholesaler will have to maintain the costly and inefficient practice of maintaining two separate systems. Likewise, if and when all major accounts reach SBT status, wholesalers might possibly be forced, for sound economic reasons, to sever relationship with small and/or independent retailers incapable of SBT programs. Such a step is likely to be distasteful, if not unacceptable, to national distributor/publishers.

[The above is] is why the chief executive of one of the largest national distributor/publishers said the publishing industry should give SBT a "cautious embrace."

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