

## News From Around the Business

### **January ads flat. CMG. Curtis. Personnel. Retail**

Magazine advertising in January 2004 was essentially flat, compared to the beginning of 2003, officially registering a barely noticeable drop of 0.3%. The **Publishers Information Bureau (PIB)** also reported ad revenues were up 10.4% during the same period. January marked the eighth straight month that ad pages did not improve over the previous year's performance....**Comag Marketing Group (CMG)** announced the continuation of its contracts with two publishers. **McGraw-Hill Companies Inc.** signed a new, long-term agreement with CMG for *Business Week* magazine for all retail sales. **MTV Networks (MTVN)** also signed a new agreement with CMG for the distribution of *Nickelodeon* and related MTVN publications....**Curtis Circulation Company** will be the national distributor for two new magazines. *Scratch*, from **Harris Publications**, is a quarterly that will go on-sale 5/24/04, with a cover price of \$4.9/\$5.95 in Canada. **Enterprise Funding** is the publisher of *Staffox Edge*, a semi-annual, on-sale 6/15/04, cover price \$6.99/\$8.99....**RCS** will be the national distributor for four new titles: *Brentwood*, six-times, \$3.95/\$4.95; *MetroPop.Life*, quarterly, \$4.95/\$5.95; *AVN Online*, monthly, \$6.95/\$9.95; and *Snaggletooth*, quarterly, \$3.95/\$4.95....**Playboy Enterprises**, which attributed a fourth quarter loss of \$6.7 million to the \$8.5 settlement of a lawsuit, said in a forecast that it will return to profitability this year, thanks to improved results in all its divisions, including publishing.... The International Periodical Distributors of America (IPDA), the trade association of magazine national distributors, has resigned its membership in Media Coaliton, an organization which defends First Amendment protections. Media Coalition's membership includes the Magazine Publishers of America and several individual publishers. It also includes organizations representing book publishers, booksellers, librarians, recording producers and distributors, video producers and distributors and the electronic

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## **Scan-Based-Trading. A Key Issue in 2004?**

Scan-based-Trading (SBT) appears to be shaping up as a major issue for the mass market magazine distribution channel this year. The term refers to using a retailer's scan of a magazine's UPC symbol, or barcode, as the accepted accounting of magazine sales. It generally includes the transfer of the value of a retailer's magazine inventory back to the supplier, whether it be a wholesaler or national distributor-publisher. It also includes an agreement that the retailer's payment is based on the scan at checkout, usually referred to as pay-on-scan (POS).

SBT, and its impact, are not new to the magazine business, but it has not been quite as high profile for the last year or so. That's not because no one was working on it. For several years, Wal-Mart Stores has been testing the concept with some of its magazine wholesalers and is now reported to be implementing it in many locations. Wholesalers have been under pressure to accept it as a condition of services from an increasingly long list of major retail chains. Among chains either testing it, implementing it, or demanding it are Target, Safeway, Kroger, and H.E. Butt. Barnes & Noble, the largest bookstore chain, has been a leader in using magazine sales data captured by scanning to manage its department.

If a wholesaler enters into an SBT relationship with a retailer, the shift of the cost of the inventory represents a major change in the economic relationship. Since wholesaler economics are universally recognized to be fragile, that shift is particularly significant. If SBT eliminates the need for wholesalers to collect and processes magazine returns, it offers substantial cost savings. However, national distributors, citing intolerable shrink levels at retail, continue to insist that wholesalers process returns at the warehouse and pay for sales based on those counts. Several national distributors have also said that they will only accept SBT if it includes a direct financial relationship with the retailer.

Despite these and other concerns, retailers, particularly as other technology issues move forward (see item on page 2), are stepping up their demands on the magazine distribution channel to implement SBT sooner rather than later.

## Around the Business (cont.)

entertainment industry....The challenges facing the magazine publishing industry as a result of the controversies over circulations auditing, particularly the Gruner + Jahr USA-related issues, is the subject of a comprehensive article, "Just What We Didn't Need," in the February 2004 issue of *Folio* magazine....**Personnel:** *New York* magazine, which was recently sold by Primedia Inc. to New York Media Holding, named Kit Taylor as its new COO....**Coast to Coast Newsstand Services**, a Canadian national distributor, named Scott Gosse as a regional manager, and announced the following promotions: Darlene Earle to account executive, Ginny Caro to distribution & logistics manger, and Gabriela Siero to senior distribution analyst....**Retail Notes:** **Ahold USA** announced it intends to sell the two supermarket chains it owns in the Southeastern United States: Bi-Lo, in Mauldin, South Carolina, and Bruno's, in Birmingham, Alabama. Bi-Lo, which was bought by Ahold in 1977, operates 292 stores; Bruno's, acquired in 2001, has 178 locations....**Stellar Partners Inc.**, which operates 20 airport retail shops in 10 airports, has signed an agreement with **Trofie Productions** for consulting services.

## Retailers Preparing for 13-Digit Code

*Supermarketnews.com* (2/13/04) reported that a survey among retail IT professionals found that 41% of them rate preparation for the acceptance of 13-digit bar-coding is their highest priority for 2004. Last year, only 13% gave it that ranking. The Uniform Code Council has established January 1, 2005, as the deadline for retailers to be able to scan and process the expanded symbol, which is used outside of North America. Manufacturers using 12-digit codes, including nearly all magazines, will not have to change their coding structure.

## Meetings:

### PMC this week. PBAA will host retailer

This week, that almost forgotten event, a wholesaler convention, will be held when the **Periodical Marketers of Canada (PMC)** host publishers and national distributors in Toronto,

## A Time and Wal-Mart Magazine? How Likely?

*The New York Post* (2/9/04) reported that **Time Inc.** was developing a new woman's magazine title which would be distributed exclusively through **Wal-Mart Stores** for a period of at least one year. Although the report noted that neither company would comment, it went on to say that the proposed title would have a low cover price, \$1.99, and could be launched this year. By the end of the week, the report was picked up and repeated in several other newspapers and magazines, including *Supermarket News*. Time would not comment to *The New Single Copy* on the report either. Wal-Mart represents an estimated 15% of all magazine newsstand sales in the United States. It is surely an even larger amount for many titles whose demographics are strongly middle-class. Many publishers have acknowledged publicly that they consult with the retailer on editorial subject matter, even on the presentation of specific stories. Additionally, many publishers, Time Inc. among them, develop and test new titles in limited markets. Sometimes those tests are subsequently rolled out across the country, and sometimes they are scrapped. Wal-Mart, with its unprecedented size and consequent impact, offers a whole new way of testing a new product. It is generally recognized that Time Inc. meets with Wal-Mart frequently and discusses a wide range of topics, among them the development of new magazines. The best guess here is that Time Inc. is taking advantage of Wal-Mart's unique capabilities to develop and test a new magazine.

February 17 to 19. Around 200 attendees are expected. John Harrington, publisher of *The New Single Copy*, will present a look at newsstand trends, including the first look at sales numbers for 2003 with figures for audited magazines. Reports of Audit Bureau of Circulations and BPA International are scheduled to be released on February 16....When the **Periodical and Book Association of America (PBAA)** meets on March 4, in New York, the speaker will be Margaret Lane, category director of newsstand, for Borders Group, Inc., the second largest bookstore chain.



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