



SPECIAL PROMOTIONAL SECTION

ready  
set  
shop



magazines  
engage

magazine  
purchasers  
spend more  
money

# magazines

a retailer's guide to growth through magazines  
make connections



Magazine Publishers of America



magazines  
target  
your  
customer



magazines  
reach



magazines  
have great  
taste



increase  
your profits with  
magazines



## a message from Nina Link, President, Magazine Publishers of America



**Nina Link**  
President, Magazine  
Publishers of America

**W**ine connoisseurs, sports fanatics, teenaged fashionistas, time-strapped parents — magazines offer retailers a way to connect with customers no matter what their age, interests or demographic. What other product category offers you the opportunity for this kind of personalized engagement with your customers?

Magazines also offer retailers other tangible benefits, including:

- Magazine purchasers spend more per shopping trip than non-magazine purchasers and account for more items bought.
- Magazines deliver 4% of supermarket store operating profit though they account for less than 1% of total sales.
- Magazines keep your aisles refreshed and timely, helping to keep your customers' shopping experiences a pleasure, not a chore.
- Consumers not only trust magazines but customers also trust the products magazines feature.
- Magazines live beyond the page. Whether someone tears out a recipe that leads the shopper to the produce or baking aisle, or a beauty tip that takes your customer to your cosmetics aisle, magazines have the power and ability to increase profits in your store.

Whether it is sports, fitness, fashion, decorating or pet care, your customers will find a magazine to capture their attention. When magazines are factored into special events and promotions, the possibilities for building store loyalty with your customers increase greatly.

Beyond creating a community of engaged customers, magazines make business sense too. Magazines generate more sales and profit for the amount of space they occupy than most other categories. Consequently, magazines provide retailers with dual avenues for success: customers who feel they are understood and catered to and a solid profit-making product category. Read on and find out how magazines have helped numerous retailers increase their sales and how they can help you too.

To learn more about how Magazines Make Connections, please attend MPA's Retail Conference 2007, to be held March 4-6 in Orlando, Florida. For more information, visit [www.magazine.org](http://www.magazine.org) or e-mail [mpaevents@magazine.org](mailto:mpaevents@magazine.org).

# 10 top reasons to carry magazines in your store

**Magazines generate superior adjusted gross margin:** Magazines produce 33.6% gross margin versus the supermarket average of 27.6%.

**Magazines save you money:** Magazines have below-average labor costs — 8.6% versus 10.9% for other products in your store.

**Magazines contribute significantly more to your margin:** Magazines give you a 25% contribution margin versus 17% for other products.

**Magazine purchasers spend more money per visit:** Research shows that weekly market baskets with magazine purchases are 71% higher than those with no magazines (\$67 versus \$39).

**Magazine purchasers account for proportionately higher volume than other shoppers:** Magazine purchasers account for 58% of both grocery dollars and grocery items though only 24% of shopping households.

**Magazines attract "Influentials" to your store:** Influentials, the 9% of the population that influences the spending behavior of the rest of the population, have higher incomes, are more educated and are early adopters of the latest products and services.

**Magazines enhance and improve the shopping experience:** By entertaining and inspiring customers, a vibrant magazine section can differentiate your stores' environment from your competitors'.

**Magazines provide the foundation for exciting promotions and traffic-building in-store events.** These also drive incremental sales of other products.

**Magazines reach a wide range of demographics:** New titles and brands are a tool to reach emerging ethnic segments, growing demographic groups and newly identified niche interests of the shoppers who come to your stores.

**Magazines engage:** Readers experience magazines in meaningful ways, including *I get value for my time and money, It makes me smarter, It's my personal time out and I often reflect on it.* Magazine ads make consumers laugh, cry, think, desire, ponder, smile and are often seen as part of the medium's content.

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# making connections: harnessing magazine innovation for retail growth

a company's ability to harness innovation can mean the difference between success and failure in today's fast-moving retail environment. Companies that can take the spark of a "eureka!" moment, and carry it through the process of creating something that consumers are not just willing but eager to purchase, can gain and maintain a significant competitive advantage.

In the supermarket channel, there's one product category that by its very nature survives via a constant process of innovation: magazines. Every issue and every cover has to grab the time-starved reader's interest, capturing attention in an increasingly crowded media landscape. Yet magazines also thrive on stability, by offering their loyal readers the features they have come to expect. This creates a productive paradox, where readers expect to be surprised by each magazine issue.

"The continual supply of fresh product with ever-changing cover treatments serves to make the checkout experience an entertaining one for customers," said Michael Sullivan, President and CEO of Comag Marketing Group, New York. "And magazines are also the only product category in the store that stimulates the sale of other products that supermarkets carry, through editorial pieces and advertising, both of which serve to inform and inspire shoppers to try new products and recipes."

## magazines: dollars and sense

Virtually all supermarkets already benefit from the superior profitability that magazines provide, and many leading retailers have focused attention and resources on maximizing magazines' growth capabilities, showing strong positive results for the category and for these retailers.

Numbers tell a big part of the story. "GMROI is very healthy for the magazine category when compared to other categories in grocery," said William

*making connections continued on page 6*

Magazines are one of the most demographically sensitive categories in the store. This gives supermarkets the ability to reach really specific consumer segments.

Rich Jacobsen, *President/COO, Time Warner Retail*

## for publishers, innovation equals competitive advantage

Innovation doesn't always refer to new products — especially in the publishing industry, where every issue is a new (though familiar) product. Variations on the tried and true can make a big impact, especially when they are keyed to consumer needs.

• **Bigger is Better:** After 54 years as a digest-sized publication, *TV Guide* switched to a larger size and more feature-oriented format with its Oct. 17, 2005 issue. While the publication lost its familiar "niche" in the checkout space and now must compete with other similarly-sized publications, *TV Guide* can now offer "a product that is more competitive and acceptable to today's consumer," according to Klaus Gunn, VP, Single Copy Sales for TV Guide Publishing Group, New York.

"The larger size of the magazine allows us to present cover images

more graphically and colorfully," said Gunn. "We've also gone to full color inside, from the partially black-and-white digest version, with more pictures inside and a glossy heavy paper stock. We reduced the cover price, from \$2.49 to \$1.99, so we're providing more color, more information and a nicer package, but at a lower price." The revamped *TV Guide* has experienced higher newsstand sales than its digest-sized predecessor, Gunn reports.

*TV Guide* has a long history of innovation with its digest-sized publication that Gunn says will continue. "We put a CD on the cover of our publication, we did 3D-style lenticular covers and foil covers. Because of the multiple editions we produced, we had the flexibility to provide regional covers for NFL teams, for example. While we



## MAGAZINE PROFITS LEAD GM CATEGORIES

GROSS PROFIT DOLLARS PER STORE PER WEEK

\$720	Magazines
\$430	Kitchen Accessories
\$342	School & Office Supplies
\$292	Batteries
\$204	Film
\$201	Light Bulbs
\$87	Candles
\$80	Insecticides/Pesticides
\$29	Video

Source: 2005 Grocery Super Study, Time Warner Retail

don't have as many different editions in the new format as we had, we still want to be innovative."

### • Location, Location, Location:

Innovation can also come from a retail-specific twist on tradition. For *Gourmet's* November issue, which features a turkey on the cover as the centerpiece of the Thanksgiving meal, a floor display for the magazine placed in a major supermarket chain featured a tear-off pad with a recipe for Thanksgiving gravy that was written specifically for the supermarket's shoppers. "In the stores where the displays were placed, we saw the magazine's sales triple compared to previous years," said Jim Mate, VP, Retail Marketing for Condé Nast Publications, *Gourmet's* publisher.

"We'll definitely be looking to do something like this again."

Mate believes that the magazine publishing industry needs to look beyond traditional selling spaces in the supermarket. He noted that some supermarkets have begun to use custom-designed racks for Condé Nast's bridal magazines (*Brides*, *Elegant Bride* and *Modern Bride*) placed in their floral departments. "These supermarkets want their customers to know that they are the place to go for flowers for a wedding, and there's no better way to do that than to display bridal magazines," said Mate. "These retailers are embracing the innovation of permanent display within specific departments."



## MAGAZINES BOOST MARKET BASKET SIZE

### WEEKLY MARKET BASKET

With  
Magazine  
Purchase:  
\$67

No Magazine  
Purchase:  
\$39

Source: Management Science Associates 2002, MPA

## magazine subscriptions: a gift that keeps on giving

Retailers seeking novel ways to recognize their best customers should consider offering magazine subscriptions as a gift or reward. Rather than simply offering checkout discounts, as many supermarket customer loyalty programs do, a subscription creates an ongoing, positive presence in the consumer's life. The magazine's arrival every week or month serves as a recurring reminder of the customer's enhanced relationship with the retailer.

Such gift subscription programs are a win for magazine publishers as well, according to Dave Ventresca, Director, New Business Development for Time Direct Ventures, New York, which has established such programs with several retailers. The publishers gain an additional channel through which to present subscription offers to an attractive audience for their publications.

"In the partnership discussions we have with retailers about this type of program, we'll talk about scale — the volume of customers who would be eligible — as well as about the customer demographics and in some cases the psychographics," said Ventresca.

A recently launched program with a book retailer provided a good fit for Time Direct Ventures. "Their customers are readers, so they're receptive to books and magazines in general," said Ventresca. Customers who purchase or renew their annual discount membership card can choose two magazine subscriptions from among four choices. "It's a free trial program, and if the customer doesn't contact us to cancel, it rolls into a paying subscription," Ventresca explained. The publisher shares some of the subscription revenue with the retailer when the subscriptions move into the paid mode.

While Time publishes approximately 40 magazines in the U.S., this program provides a relatively limited choice, in large part because customers are making the decision at the retailer's front end. "At the checkout, the customer can only process a certain number of transactions," noted Ventresca. "Over time we may evolve the program to swap in a different title and see if its conversion rates are better. We would definitely try to match the right title to the right audience."

This type of value-added upsell can be matched to the retailer's environment and customer base. "Say it was an electronics retailer — if the customer bought a certain DVD title, perhaps they would get a subscription to *Entertainment Weekly*," said Ventresca. "Or theoretically, if it was a store with multiple product lines, a customer purchasing a product in one category might get a choice of two thematically related magazines, while the customer purchasing a product in another category could choose from a different set of magazines." For example, purchase of a food preparation item could be rewarded with a cooking magazine subscription, while a gardening purchase could be linked to a gardening magazine, and so on.

For retailers who have invested in a customer loyalty program, using magazines gives them an opportunity to more clearly identify individual customer interests as well as to meet those customers' needs more effectively.

Romollino, VP, Customer Development, Time Warner Retail Sales and Marketing. "Magazines deliver 4% of supermarket store operating profit even though they account for less than 1% of total sales."

Magazines' gross profit dollar generation outstrips other general merchandise categories by significant amounts: At \$720, weekly profit dollars for magazines are more than 67% higher than the next highest category, kitchen accessories (\$430), according to data gathered by Time Warner Retail (TWR).

Research from the Magazine Publishers of America indicates magazines combine higher-than-average gross margins (33.6% versus the supermarket average of 27.6%) with lower-than-average labor costs (8.6% versus the supermarket average of 10.9%), creating a superior contribution to supermarket margins — 25% versus the supermarket average of 17%.

In addition, studies indicate that market baskets including magazines outstrip those without magazines by more than 70%: \$39 with no magazine purchase versus \$67 with a magazine purchase.

## magazines attract 'influentials'

Magazine readers are valuable customers not only because they purchase more products themselves, but because studies show they have the ability to influence others. Magazine readers are well represented among "Influentials," according to the Roper ASW "Influential American Study." These "Influentials" are among the first to spot new trends, and they share their enthusiasms and knowledge with others.

Other key "Influential" characteristics include:

- Higher income
- Better educated
- Upscale urban families
- Early adopters of everything
- Community influencers

Magazines provide retailers with the opportunity to attract and retain these high-spending leaders in their customer base. They also provide retailers with a variety of ways to communicate with virtually all of their customer segments — and to more clearly identify those segments as well as what products they are most interested in purchasing.

Tim Humanik, currently VP, Sales and Marketing Services for Comag Marketing Group, spent more than 10 years with Harris Teeter supermarkets in a variety of roles. He praised magazines as an essential part of maximizing checkout sales, which retailers analyze using a combination of historical data, sales history and customer purchasing behavior. "Maximizing sales and profitability is like a puzzle — you're always evaluating the margin profit components at checkout," said Humanik. "Magazines, carbonated soft drinks and confections all bring different things to the party in terms of profitability. Magazines generate more sales and profit for the amount of space they occupy than other categories. And another reason that magazines are great is because they

making connections continued on page 8





Innovative supermarkets are displaying magazines in specific areas that relate directly to the magazine’s topic, for example pet magazines in pet care centers, health and beauty publications in the HBC section.

Mike Duloc, President/COO, Kable Media Services

## magazines can match shopper ‘speeds’

In their never-ending quest to provide customers with a superior shopping experience, retailers would do well to note that shoppers operate across “multiple speed zones” during a typical shopping trip, according to Dave Szymanski, JC Penney Chair of Retailing Studies and Director of the Center for Retailing Studies at Texas A&M University, College Station, TX.

“It’s important for retailers to understand the pace of a customer shopping in a supermarket involves not just physical speed but cognitive speed,” said Szymanski. “Some people are slow and methodical; they need to stop, look and process information. Others have a more convenience store mentality and are looking for a simple ‘grab and go.’”

Szymanski added that a complicating factor is that a customer may be operating at different speeds at different locations within a store — even during the same shopping trip. For example, at a magazine mainline or reading center, “people may be moving at a slow physical pace, but cognitively they’re moving at a rapid pace, because they’re looking for information that’s potentially relevant to them,” noted Szymanski.

At the checkout lane, people may be moving fast physically but slow cognitively. “Customers are dealing with checking out and getting out of the store. For people moving at this cognitive speed, it makes sense to have magazines that offer streamlined information content — something that may be more of an impulse purchase,” he noted.

In the mainline, however, “retailers may want to carry magazines that are geared to people who want to be stimulated in a different way,” Szymanski added. “There’s a certain amount of impulse purchase here as well, but there’s also more clear thought that the customer is picking up a true learning tool with significant content for them.”

Magazines literally provide customers with an opportunity to switch gears. “Magazines allow people to sit back, relax, and find a little sanctuary within the grocery store,” said Szymanski. “They can also keep people in the store longer. And if retailers can do that while also helping customers be more efficient in their shopping experience, and improve the quality of the time they spend in the store, then there’s a higher probability of them buying what they set out to buy — and a greater motivation for them to come back again.”

## SPECIAL PROMOTIONAL SECTION

let you target your customer.”

“Magazines are one of the most demographically sensitive categories in the store,” noted Rich Jacobsen, President and COO of Time Warner Retail, New York. “This gives supermarkets the ability to reach really specific consumer segments.”

## promotion innovation

Magazines’ variety and flexibility have encouraged many retailers to move them beyond their traditional selling spaces — the magazine mainline and the front-end checkout lanes. This type of outpost merchandising can feed customers’ hunger for information and stimulate additional product purchases — especially when these efforts are supported with traffic-building events and promotions.

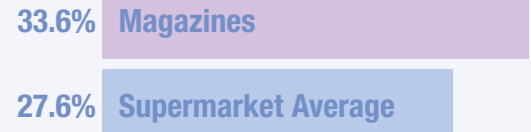
“There are a number of innovative supermarkets that are displaying magazines in specific areas that relate directly to the magazine’s topic, for example pet magazines in pet care centers, health and beauty publications in the HBC section,” said Mike Duloc, President and COO of New York-based Kable Media Services. “Supermarkets are also doing cooking events, using some magazines’ editorial staff or chefs as guests. We’ve even seen traffic-building events in the wrestling category, where magazines help send WWE wrestlers into the store for signings.”

“No other category has the range of products that directly reflect the interests of customers in every conceivable making connections continued on page 10

## MAGAZINES’ STRONG CONTRIBUTION TO SUPERMARKET MARGINS

### ADJUSTED GROSS MARGIN

(Representative comparison including trade allowances)



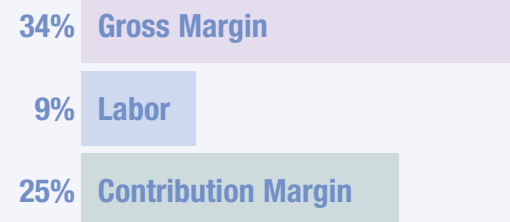
### ESTIMATED STORE LABOR COSTS

(As a percentage of sales)

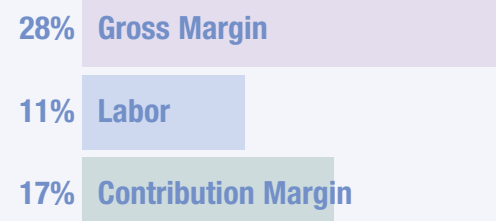


## MAGAZINES’ SUPERIOR CONTRIBUTION MARGIN

### Magazines



### Supermarket Average





combination of demographic and psychographic profiles,” said Comag’s Sullivan. “Because of this, supermarkets can customize their assortments and merchandising statements to appeal to targeted groups of customers as part of the image they wish to project.”

Magazines should also be a source of information for supermarket executives themselves, as well as the readers who are their customers. “One of the ways magazine publishers and distributors can promote innovation in the magazine category is to tout magazines’ ability to amplify, and quickly respond to, emerging trends through new issues and new titles,” Sullivan added. “We as an industry also need to develop merchandising signage and fixtures that promote these titles to the shopper.”

## maximizing magazines for business benefits

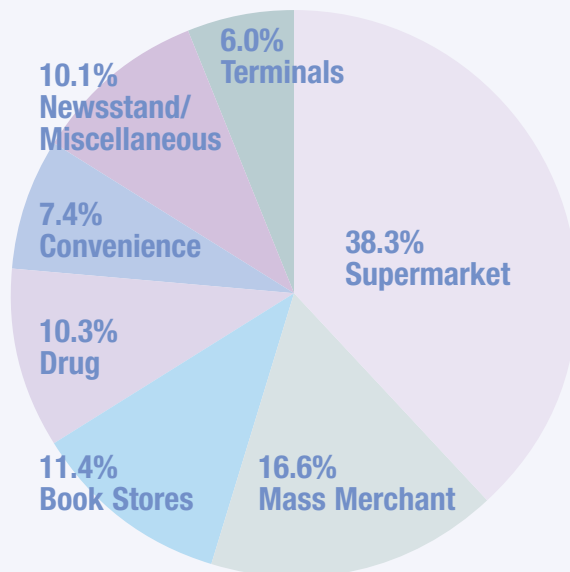
Retailers are recognizing the multiple benefits magazines offer. There are the superior margin contributions and low labor costs of magazines themselves, along with positive “ripple effects” from the product purchases their editorial and advertising inspire among customers. Retailers who have made concerted efforts to improve the category’s sales, including current and previous winners of the MPA’s Best Practices Awards (see page 12) such as Wegmans, Kroger, H-E-B, Meijer, and Safeway, have achieved solid business benefits.

“These retailers are growing their magazine sales more rapidly than the grocery channel as a whole in terms of retail dollar sales growth, largely due to the extra merchandising, space allocation and attention to assortment optimization,” said TWR’s Romollino. “The results are measurable in terms of additional demand and solid growth of retail dollar sales performance year over year.”

Supermarket retailers who want to garner these types of business benefits for themselves should look at these suggestions from the magazine industry:

- **Carefully analyze the magazine mix:** For some retailers, their mainline sections may need expansion not just in size but in range. “The greater the variety, the greater the sales,” noted Bob Castardi, President, Curtis Circulation, New Milford, NJ. “Going with only the top performers will never produce the maximum benefit for everyone. Because of the impulse nature of the magazine purchase, the consumer must be provided with a wide selection to capture what they are interested in at the precise moment they are thinking of making a purchase.”
- **Improve magazine category management:** The magazine industry now has granular, store-level data about magazine sales which, if acted on, could address one of retailers’ major complaints about the category: relatively low sell-through rates for many titles. (see “Wealth of Data” article, page 18). “The biggest issue we as an industry face, and that retailers continue to identify, is the inefficiency of the system,” said Kable’s Duloc. “How can we reduce the amount of ‘waste’ and yet still offer the correct portfolio of magazines, ensuring supermarkets have the right representation of the right titles in the stores?” Part of the responsibility for executing on category management falls on the publishers, who need to use the available data to begin cutting off retail outlets where magazine title sales are negligible or zero, issue after issue. “If you’re putting in 10 copies to sell only one, everyone is losing money eventually,” said Richard Alleger, VP, Retail Sales, Rodale, Inc., Emmaus, PA. But when publishers do apply tougher principles, Alleger believes “it will reduce costs for the publisher, handling costs for the wholesaler, and free up space for the retailer — even while sales and profits are slightly up.”
- **Take charge of the category:** In large part because magazines are essentially a direct store delivery (DSD) category, they often receive less attention from those

## MAGAZINE MARKET SHARE BY CLASS OF TRADE (\$4.67 BILLION TOTAL)



Source: 2004, Time Warner Retail, Harrington Associates LLC; DHC Analysis

within the retail organization than other product categories. To get the maximum business benefit from magazines, however, retailers need to allocate “attention” at both the corporate and store levels.

At the front end, for example, “retailers should have a category manager who is assigned to manage all the goods sold there as a separate category,” said TWR’s Rich Jacobsen. At many supermarkets, “the confection guy runs his stuff, the general merchandise guy runs his stuff, the HBC person is responsible for razor blades, and there’s a non-foods person for magazines, so there are four or five people with input — but there’s no one person looking at the whole checkout as a leverageable, strategic category. Retailers who have embraced this idea, of one person or group to be in charge of the category, have seen significant improvements.”

And while the convenience of DSD for magazines makes them an attractive category for supermarkets, Jacobsen believes there still needs to be involvement on the retail side. “No category can live on external force merchandising alone,” he noted. “There has to be someone in the store who takes ownership — looking at the category and reporting back to corporate. You have to have someone who really thinks it’s important, and to assign some hours for merchandising the category. We’re trying

to get retailers to ‘take back’ the magazine category, and to work with the publishers, the national distributors and the wholesalers as partners to do that.”

Making these efforts and strengthening these partnerships are crucial for retailers not only because of business and operational issues. Harnessing the innovation of magazines is one of the best ways for retailers to establish a relationship with their customers — in other words, to do what magazines themselves have to do with every issue in order to survive in a competitive environment.

Rodale’s Richard Alleger describes readers as “moving targets,” but the description also applies to supermarket customers. “You can’t take a cookie-cutter approach to reaching them,” he noted. Magazines don’t: “The nature of magazines is that they speak to the very personal passions people have in their lives.” ●

## magazines enhance experiential shopping

Supermarket retailers may feel that they have little chance to compete with other categories in providing “retail-tainment,” the high-touch, senses-stimulating type of experience that helps create relationships with customers. But the success of less traditional food retailers such as Whole Foods and Trader Joe’s points to the necessity of making the supermarket shopping trip more than a chore. And according to Madeline Temple, Director, Consumer Strategist for Retail/Fashion at Minneapolis-based iconoculture, an observational research firm that provides insights to a range of leading retailers, magazines can play a key role.

“One of the things we’re seeing is that shopping is part and parcel of who we are,” said Temple. “If shopping were simply about knocking an item off your to-do list, people would simply shop online. They’re going to stores for the experience. Retailers who stress values like escape and fun, and make the experience unique, can turn shopping from a ‘have-to-do’ into a ‘want-to-do.’”

Outpost merchandising of thematically appropriate magazines near supermarkets’ perimeter departments, such as bakery, deli and meat, is one way to make stronger use of magazines within the store. “Another idea is to provide the ability for customers to use store kiosks to link up with online shopping,” said Temple. “What if, at the same kiosk where customers scan coupons or get recipe ideas, they could order the items that they see in a magazine?”

Such interactivity and convenience are crucial to retailers’ long-term success. “Wherever people are buying products or services, there are things retailers can do to both entice and delight consumers,” said Temple. “If they can do that, they can establish a relationship with them.”

# 2006 Best Practices Award Winners

*Winners of this year's Retail Best Practices Awards, presented annually by the MPA and IPDA, exemplify innovative approaches to marketing, merchandising and managing magazine sales.*

## New Categories

**CATEGORY: Marketing of Books**  
**RETAILER: Target**

Target was honored for maintaining multiple display locations and making use of effective signage; innovative marketing and merchandising concepts; appropriate segmentation; and conducting traffic-building book signing events.

**CATEGORY: Innovation**  
**RETAILER: H-E-B**

The Innovation award was for a number of activities at H-E-B, including:

- Consumer-focused category management efforts.
- A comprehensive magazine and book plan integrated into the overall chain plan.
- Point-of-sale data used for replenishment purposes.
- Magazines/books viewed as a destination.
- Heavy cross-merchandising of magazines and books.
- Constant search for new merchandising concepts.

**CATEGORY: Cross-Merchandising**  
**RETAILER: H-E-B**

H-E-B was honored for implementing and supporting creative cross-merchandising opportunities across various parts of the store, including HBC, wine, music, gardening, floral, crafts, household supplies, pet and deli departments. The retailer was also cited for creating and maintaining a definitive cross-merchandising and promotion calendar.

**CATEGORY: Mainline Merchandising**  
**RETAILER: Hudson Group**

Hudson Group was honored for its creative mainline designs and effective positioning of mainlines. The retailer was also cited for advance coordination between category buyers and store operations/planning personnel, along with its commitment to full-face displays of magazine titles. Effective point-of-purchase signage positioned the category with excitement and clearly identified segments within the category.

**CATEGORY: Promotion**  
**RETAILER: Kroger**

Kroger was honored for its embrace of the magazine category and for continually looking for ways to work with publishers and wholesalers on promotional initiatives, and for having a definitive promotion calendar integrated into the chain's corporate programs.

**CATEGORY: Checkout Merchandising**  
**RETAILER: Meijer**

Meijer was honored for aggressive coverage of all checkout opportunities in this category, including self-scanning areas, tobacco corrals, beverage cooler end caps and express lanes. The retailer was noted for maintaining the integrity of magazines displayed to customers' left; maintaining clean, uncluttered racks; and supporting new title launches with an understanding of category "revitalization" and its ability to work new titles into its product mix.

## previous best practices award winners

### 2005 Winners

Promotion and Cross Merchandising

- H-E-B
- Wal-Mart

Checkout Marketing

- Hudson Group
- Safeway

Mainline Marketing

- HMS Host
- Kroger
- Wal-Mart

Retail Best Practices Hall of Fame

- Wegmans

### 2004 Winners

Promotion and Cross-Merchandising

- Meijer
- Wal-Mart
- Wegmans

Checkout Marketing

- Giant Eagle
- Kroger
- Wegmans

Mainline Marketing

- Barnes & Noble
- Wal-Mart
- Wegmans

### 2003 Winners

Promotion and Cross-Merchandising

- Wal-Mart
- Wegmans
- W.H. Smith

Checkout Marketing

- H-E-B
- Marsh Supermarkets
- Wal-Mart

Mainline Marketing

- HMS Host
- The Paradies Shops
- Wegmans

### 2002 Winners

Promotion and Cross-Merchandising

- Wal-Mart
- Wegmans
- W.H. Smith

Checkout Marketing

- Albertsons
- A&P
- Giant Eagle

Mainline Marketing

- Barnes & Noble
- The Paradies Shops
- Wegmans

# complex hispanic market presents moving target

Retailers and the magazine industry face similar dilemmas in serving the needs of the Hispanic consumer. They are an attractive target: with more than 40 million U.S. Hispanics they are the nation's largest ethnic population, with both sheer numbers and purchasing power still on the rise.

The dilemmas come because the so-called "Hispanic market" is also a moving target that's incredibly diverse. Multiple segmentation factors include which languages are spoken and in which contexts (such as home vs. work), as well as country of origin, number of years in the U.S. and degree of acculturation — along with the divisions affecting all other market groups, such as age, income and education.

With goals including achieving a better understanding of this complex consumer group, the first Hispanic Magazine Summit was held in October 2005, a concerted effort by the Magazine Publishers of America (MPA), *Advertising Age*, the Association of Hispanic Advertising Agencies (AHAA), Televisa and others. A second summit is scheduled for June 28-29, 2006 in Miami. The MPA has developed a Hispanic/Latino market profile (along with profiles of other ethnic and demographic groups) that is available at [www.magazine.org](http://www.magazine.org).

MPA's SVP for Member Services Chuck McCullagh discussed the opportunities and the challenges in understanding, and reaching, today's Hispanic consumer:

## Q: Can you help define the Hispanic market in the U.S.?

**MCCULLAGH:** I think we have to be careful about letting big numbers define the market. The Hispanic community is diverse, very complicated and in effect a moving target. For example, the language issue is often raised. Roughly 50% of Hispanics prefer taking their media in Spanish, 50% in English. But it's really fair to say that Hispanics use both languages depending on time in the U.S., educational levels, what is spoken at home, etc.

## Q: Is this a similar situation with other ethnic groups, where it's often a generational divide?

**MCCULLAGH:** Obviously there is an acculturation process going on but that too is complex. We know that many Hispanics, especially the young, are rediscovering their Hispanic roots and celebrating their heritage in positive and unself-conscious ways — what has been termed "retro-acculturation." This is evident in the culture at large as well as the media, and it also points to the growing sophistication of this market. It's far too easy to think that language and geography alone are sufficient markers to fully define the Hispanic community.

## Q: What are the implications of this diversity for the magazine industry?

**MCCULLAGH:** The Hispanic magazine market is segmenting along lines that are not unfamiliar to the general market. We're seeing more special interest magazines, for instance titles that address the changing needs of the emerging Hispanic woman in the U.S., who works but is still a primary caregiver. There have been new launches such as *Tu Ciudad*, an upscale English-language Hispanic magazine that speaks to the upscale Hispanic male. We're seeing personal finance titles, such as *Su Dinero*, that address a range of money matters.

## Q: In general, what are some of Hispanics' main media choices?

**MCCULLAGH:** Television is the primary media source; it got a head start on the Hispanic community in the U.S. And clearly local newspapers are an important media source. But as the market segments and its median income grows, and more Hispanics move into the upper middle class, magazines are taking on an increasingly important role. We know that Hispanic consumers tend to have a somewhat richer engagement with magazines than those in the general market — keeping the issues longer, passing them around more, and even bestowing a greater sense of trust in them. We see magazines gaining in importance as the market matures, and obviously MPA's work is to encourage that.

## Q: What are some trends that retailers should be most aware of?

**MCCULLAGH:** Retailers should understand that Hispanic communities have a large universe of relatively new consumers who, as MPA's research shows, are not as jaded about brands as many people in the general market. This is a consumer who is not yet "jaundiced" about brands and wants the best for his or her family. Research has also shown that Hispanic consumers like and support businesses that are active in the local Hispanic community. And we know from several research sources that Hispanics cook much more from scratch than people in the general market — retailers, especially supermarket retailers, should make note of this.

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Chuck McCullagh, SVP, Member Services, MPA

## Q: How can retailers make the best use of magazines in reaching Hispanics and serving their needs?

**MCCULLAGH:** It's not news that magazines can be used as part of a category enhancement, say with cooking magazines and the like, to move products off the shelf. I think Hispanic magazines lend themselves well to this treatment, especially in light of how much cooking from scratch is done in this sector. Supermarket retailers have felt the effects of less at-home cooking and family dining, but this trend is not true of the Hispanic community.

It's important that retailers not do this half-heartedly though. Retailers should look into events and groups that are relevant to the Hispanic community in their particular market areas. This is crucial because Hispanics make buying decisions based on their confidence about a brand, and that confidence is increased when they see a company spending time and investing in their community. Automotive companies such as GM and Toyota learned this and take their community commitments very seriously, and it has positively impacted their sales.

## Q: What are some of the main challenges you see in reaching this market?

**MCCULLAGH:** Overall, I don't think this market has been well understood, or it's been reduced to the idea that the language division fully explains the market. This is not really about language — both English and Spanish will be "in play" for a long time. It's really about culture, but a very deep culture. There is a fair bit of academic research that addresses what is meant by the "Hispanic identity." Some researchers think that deeply felt religious beliefs and the uniqueness of the Hispanic community tell us more about the Hispanic psyche than pure numbers or language distinctions. I don't know what the final answer will be but it will surely point to an identity that is rich, diverse and complex. And the Hispanic community is gaining power, recognition, confidence and economic clout. We fully expect the Hispanic market to segment in the U.S., and we believe it makes sense for the magazine industry, and retailers, to devote themselves to serving these developing niches. ●



For more information visit [www.magazine.org/marketprofiles](http://www.magazine.org/marketprofiles).

**Hispanic Magazine Summit**

**June 28-29, 2006, Miami, FL**

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# “if i knew then what i know now”: insights from former retailers

Probably everyone has wished they could travel back in time, to fix a mistake or seize an opportunity. But while time travel is still limited to the realms of science fiction and wishful thinking, it is possible to look back and learn forward.

A panel discussion entitled “If I Knew Then What I Know Now,” featuring former retail executives who now work in the magazine industry, was held at the MPA’s recent Retail Conference. Valuable insights for both “sides” included:

- The magazine industry needs to make greater use of data that demonstrates magazines’ value to retailers.
- Even large chain retailers can use magazines to give a “local” flavor to individual stores.
- Retailers should make greater use of the trend and demographic data that publishers routinely gather to help reach their common customers.
- Magazines need to understand that space limitations within the supermarket make retailers wary about new products within this category.

“The common thread that emerged was that when you’re pitching a new magazine into the retail marketplace, there’s no such thing as too much preparation,” said Terry McGraw, VP for Retail Trade Marketing at Comag Marketing Group, New York, who moderated the discussion. “It needs to be fact-based selling, with the magazine salesperson mining the data to show that this will be a successful new product launch for the retailer.”

Even if a particular title is only projected to sell a few copies per issue in selected stores, the magazine salesperson still needs to link the title to the retailer’s business needs. “Say it’s a Hispanic title,” said McGraw. “If the salesperson can provide a list of the retailer’s stores where stocking this magazine will be impactful, and back that up with category management and demographic data supported by third-party analysis, he can show that carrying the title rewards the retailer’s customer with a product that they want to see in their store — and they in turn will reward the retailer with purchases of other products within the store.”

“The power of magazines is that they are a category that sells other categories within the store,” said Stephen Burbridge, SVP, Sales and Logistics West for Time Warner Retail, New York, and formerly with CVS. “There’s no other product that does that, with the exception of razor handles and razor blades.”

Panelist Jaime Carey, Vice President, Newsstand for New York-based Barnes & Noble, noted that the magazine category is so important at Barnes & Noble stores that they occupy the best real estate in the chain.

## targeting customers at the store level

Burbridge and others on the panel praised magazines’ ability to provide a local flavor to an individual store or stores, as well as their ability to match the demographics and

The flexibility of the DSD (direct store delivery) system that provides magazines to supermarkets means the category can be used to really reflect the needs of the shoppers in that community.

Stephen Burbridge, SVP,  
Sales and Logistics West, Time Warner Retail

psychographics of each store’s customer base. Burbridge cited the various regional editions of magazines such as *Southern Living* as well as ethnically targeted publications such as *Essence* and *People en Espanol*.

“The flexibility of the DSD (direct store delivery) system that provides magazines to supermarkets means the category can be used to really reflect the needs of the shoppers in that community,” said Burbridge.

The data retailers need to effectively segment their customer base can come from their own resources, but it can also be drawn from the magazine industry. “There’s a wealth of knowledge about demographics as well as valuable trend information available from publishers — both trends that are hot and, sometimes more importantly, trends that are cooling down,” noted Robin Gelly, National Account Manager for Lowe’s at St. Louis-based HDA. “When I was at Lowe’s myself, I wish I had pulled more from those resources. Publishers know so much about their customer, and in many instances the retailer shares that customer with them. Anything that helps you speak more clearly to that customer is a win for you.”

## maximizing magazine profitability

For Tim Humanik, currently VP for Sales and Marketing Services at Comag Marketing Group, a more in-depth understanding of how retailers can maximize magazine category sales would have been helpful during his tenure at Harris Teeter supermarkets. “Some categories require that the retailer carry a number of SKUs in order to generate sales, while others may only need a handful,” Humanik explained. “In magazines, for example, in the men’s category, you might need only five or six titles to capture 90% of potential sales. But in the automotive category, a retailer might need to carry 25 to 30 titles to reach that percentage. So it might be wise to devote more

mainline space to automotive titles.”

Humanik added that his retail experience has helped him in the magazine industry. “Working in retail gives you an appreciation for the limitations on their side,” he said. “Magazines are generally not the first thing put into the store’s planogram, and they are often managed on an available space basis, so they need to work within the confines of space limitations. And we in the magazine industry need to focus on things that are actually executable in the store in order to be successful.”

Much of this goes back to the need for collaboration, he added. “Magazines and retailers need to pursue this as a partnership,” said Humanik. “What I’ve learned is that if you operate in separate silos, and you don’t take into account the expertise of the wholesalers, national distributors and publishers, your chances for success are much more limited.” ●



# wealth of data could be key to efficiency improvements



By doing a better job of optimizing assortments, we can better regulate magazine inventory levels. The merchandising of magazines... can be more reflective of consumer demand.

Richard Lawton, SVP,  
Comag Marketing Group

As recently as a decade ago, the magazine industry — including publishers, wholesalers and national distributors — was suffering from a “data deficit” in the area of retail newsstand sales information, including titles sold through supermarkets. This lack of data made the retail channel less measurable, and therefore less manageable, than direct marketing sources such as subscription sales.

The combination of a lack of data, along with publishers’ fear of missing out on any potential sale, led the magazine industry to overcompensate with their draws (the number of copies shipped to a particular retail location). “We had been sub-optimal in efficiency,” admitted Richard Lawton, SVP, Comag Marketing Group, New York. The results? Magazine sales efficiencies have remained in the mid-30 percent range; publishers spend more than \$1.2 billion annually printing and distributing titles that were eventually returned; and 100 million copies of magazines are distributed to stores with an average sale of “zero.”

Now, while many of these statistics are still applicable, the data deficit has become a surplus, with granular, store-level data available to the magazine industry. “National distributors now have the draw, inventory and sales data for every single magazine — every issue and every store,” said Ken Frawley, VP, Information Management at New York-based Time Warner Retail. “For example, *People* magazine is in approximately 120,000 stores, and for each of those we know how many copies we put in every week and exactly how much is sold.”

The implications of this wealth of data are just beginning to be understood by both the magazine industry and retailers, and it was the subject of a panel discussion at the MPA’s recent Retail Conference. While existing distribution practices will continue to exert a powerful influence, the availability of strong retail sales data has the potential to boost efficiencies at retail, lower store inventories of magazines and increase sell-through of both individual titles and the entire magazine category.

## smarter, faster decisions

“For publishers internally, this data is great at helping us do a better job of forecasting sales, and when you do that better, you can operate smarter,” said panelist Richard Alleger, VP, Retail Sales for Emmaus, PA-based Rodale, Inc. “We can make better decisions faster about, for example, where a new product might go and where it will do well than we could a dozen years ago.”

The data also “allows us to apply real metrics to the profitability at a dealer level for a particular title,” Alleger added. “If you’re putting 10 copies in to sell only one, everyone is losing money eventually. We need to work on removing accounts that show little or no ability to sell a publication.”

## sharpening category management capabilities

The panelists noted that good data utilization means more than simply dropping titles from under-performing retail stores. At its best, it can lead to much stronger category management for magazines — especially when the

magazine industry partners with retailers.

Many in the magazine industry are concerned about the category’s efficiency levels at retail. “You’ll see magazines placed in thousands and thousands of stores, and every issue will sell ‘zero,’ said Frawley. “At some point you ask if there’s a value in putting magazines in a mainline that never sell. I feel, and there’s some empirical evidence out there, that all that inventory decreases sales for the entire industry. By needing to put so many magazines in every store, it’s taking away the potential of magazines that do sell.”

“The way we have been managing inventory and setting print orders is at odds with solid category management principles,” said Comag’s Lawton. “By doing a better job of optimizing assortments, we can better regulate magazine inventory levels. The merchandising of magazines, in a mainline, reading center or at checkout, can be more reflective of consumer demand. It makes for a better merchandising statement — not a crowded, messy reading center, but one with the right number of titles and more full-cover facings.”

Better data will allow wholesalers to “help retailers manage not just the entire magazine category, but the categories within that category,” said Alleger. “There are categories where a retailer needs to carry 10 titles; some need only three; some need 20. We can see in which stores the interest is high in health and fitness, or motorcycles, and roll that data up into the category analysis, which will help retailers manage their displays better.”

## potential for cost savings

There’s also a strong potential to lower magazine inventories and the costs associated with handling them — a benefit for retailers and, ultimately, for the entire industry. “Retailers are pushing for a more efficient category,” noted Frawley. “If the magazine industry can lower the amount of inventory coming in without hurting sales, retailers save on manpower and inventory carrying costs. There’s a physical and a monetary value, in addition to making the mainline look better and making consumers happier.

“Some retailers, Wal-Mart in particular, are concerned about the efficiency of the entire category,” Frawley added. “If there’s a category running at a 35% efficiency level — and there’s really no other category that operates at less than 40% — Wal-Mart will certainly be looking at its inventory levels.”

“I think retailers have been requesting for a long time that the supply chain become more efficient,” said Lawton. “But as recently as five or 10 years ago, the magazine industry didn’t have the ability to address this desire very effectively.”

Now, the industry can address many of these efficiency and category management issues. “For every title, we should be able to understand how many copies should go into each store, optimally distribute them and eliminate waste,” said Frawley.

Asked about a best-case future scenario if the industry and its retail partners make good use of the data that’s available, Comag’s Lawton said “average efficiency sell-through could move from its current level up to 40% or beyond in a couple of years. It would require a significant effort. But if we can cross the 40% sell-through mark in the next year or two, that’s a milestone we should aim for — and we shouldn’t stop there either.”