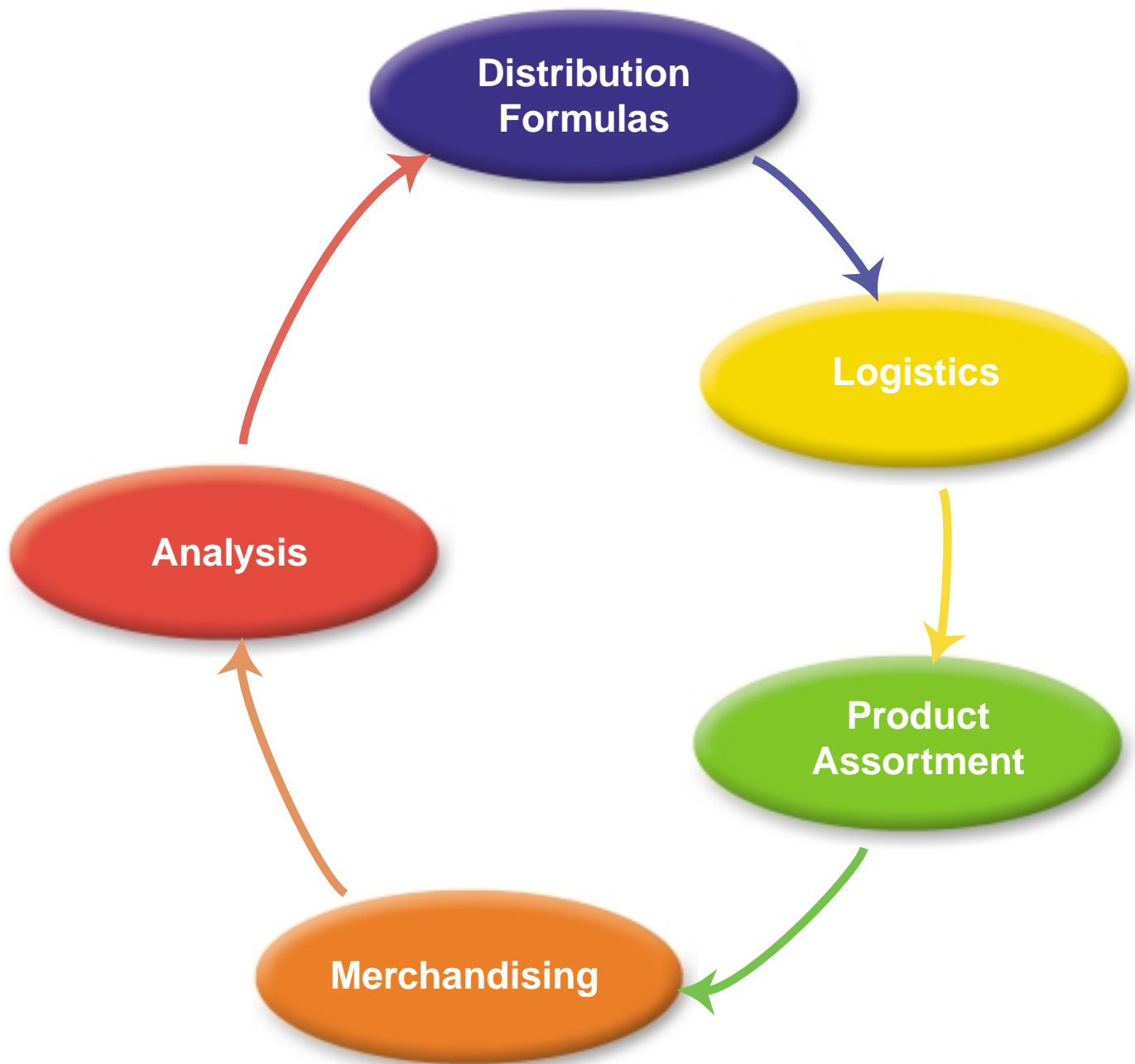


Retail Guide

Improving Sales and Efficiencies
of Single Copy Magazines



Researched by the Magazine Retail Advisory Council

An Open Letter to Senior Retail Management

May I have five minutes of your valuable time to consider four important recommendations about magazine category development? I strongly believe that implementing the recommendations will result in bigger numbers and better efficiencies for your company.

1. **Take charge!** Instead of “letting magazines run themselves,” retailers are taking a pro-active role, rightfully demanding better productivity information from trade partners. The category is too large to delegate; retailers sold over \$4 Billion worth of single copy magazines last year, making this the largest GM category in supermarkets and a significant contributor to mass, drug and specialty retailers. Last year’s MRAC benchmarking research found that in supermarkets only 1% of the revenue delivers 4% of the profit!
2. **Push ahead on consumer demographics!** Magazines are one of the most demographically sensitive categories in the store. Assortments require demographic clustering and continuous monitoring, and fine-tuning. In order to sell more magazines more efficiently, we realize that magazines need to be driven by “consumer pull” instead of “publisher push.”
3. **Work to collaborate with your trade partners!** To accomplish this, publishers, national distributors and wholesalers are working with retailers through a series of major changes in systems and processes. With more open collaboration, a new and more efficient distribution model will evolve from these deliberations.
4. **Use this Retail Guide to check on how well your company is doing!** It is a simple digest of Best Practices and supporting data. If you spend a little time evaluating how you are doing and which of the Best Practices you may want to adopt, your bottom line and your customers will be the beneficiary.



What/who determined these Best Practices? Solid research dating back to the formation of the Magazine Retail Advisory Council in 1997 supports each of these points. From its onset, the MRAC has been dedicated to “reducing the impediments, increasing the sales and implementing greater efficiencies in the productivity of consumer magazines at retail.”

The Mercer Consulting study, commissioned last year by a group of MPA publishers, documented potential productivity savings and suggested further efficiencies under its “COSMAR” banner.

A year ago at this conference, I sat in on a “retailers only” MRAC meeting, attended by 70% of the food/drug/mass ACV. The very clear retail sentiment drove our efforts this year to focus on Order Regulation and Inventory Control. They also requested better dialogue within the industry, and the Retail Guide can be a catalyst for that dialogue. I look forward to again chairing the MRAC in the coming year and welcome the input of your company.

Cordially,

Richard Alleger
MRAC Chair, Vice President, Rodale, Inc.

Footnote: This project has required a great deal of listening, understanding and collaborating from a special group of publishers, national distributors, wholesalers and retailers who devoted their valuable time as the category is re-inventing itself. With our heartfelt thanks, we acknowledge each of their contributions.

Executive Summary

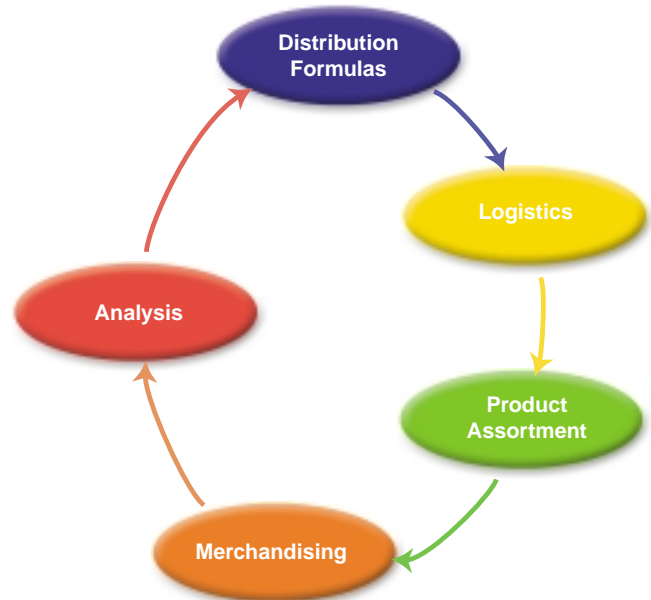
Overview

Magazine efficiencies have become a high priority for Best Practice retailers who are taking a far more active role in studying their businesses. Seeking improvements in consumer data, inventory control and turnover, retailers are asking their trade partners to develop better tools to deliver better data. They are also embracing fact-based decision making as the core of good category management. Best Practices provide the tools to break through the sales ceiling, taking magazines to a new level.

Objective

The objective for the Order Regulation and Inventory Control Best Practices initiative is to assist the retailer in understanding how the five processes described on the following pages are part of a continuous cycle.

1. **Distribution Formulas** can work to synchronize inventory level and title mix with the consumer-driven sales cycle.
2. **Logistics** can be streamlined to facilitate receiving, stocking and returns.
3. **Product Assortment** can be tailored to provide unique opportunities for specific demographic store clusters.
4. **Merchandising** and display adjustments, particularly more frequent re-merchandising of the checkout and mainline magazines, can create a lift in sales and/or efficiencies.
5. **Analysis** and data utilization from store systems and trade partners can further define the magazine category's productivity.



Research

To take advantage of excellent research in the area of magazine productivity and consumer behavior, the subcommittees have identified the most relevant segments from a large body of industry and consumer data. Many believe that the real issue lies in how well these findings are understood and used by each of the trade partners.

For example, subcategory productivity information is available but largely unused. By contrast, Best Practices in category management requires the retailer to analyze and address subcategory productivity and opportunities. A supermarket Category Manager might study ice cream by flavor, by diet vs. low calorie, frozen yogurt, sherbet and regular butterfat count. Similarly, magazines can be studied in many ways: by Gender; General Classification such as News, Lifestyle, Adult, Sports, Hobbies; Major Subject such as Fishing, Spectator Sports, Cooking; Minor Subject such as Fly Fishing, Football, Vegetarian; and Sub-Classification such as Annual, Yearbook, Asian.

Appendix

A Glossary of terms is included at the back of the digest, as well as a suggested Magazine Segmentation.

Distribution Formulas Guidelines

1. Categorize all titles by readership:

- All titles should be separated based on National sales patterns and local sales.
- Checkout titles should be separated from mainline titles as different velocity rates apply. Some retailers choose to display certain titles in both checkout and mainline, but it is important to understand the productivity and objective of each physical area in order to make the determination.

2. Monitor sales and efficiencies by wholesaler:

- This will reveal flaws in the formulas or in how they are interpreted and adjusted.
- Learn what the most efficient wholesalers are doing with their formulas to make educated comparisons.

3. Monitor sales and efficiencies for checkout and mainline separately to understand the productivity of each area.

4. Monitor sales and efficiencies by subcategory:

- Realize that there is some variance in performance standards by category and display position.

5. Monitor sales and efficiencies by demographic store cluster:

- Understand the causes behind variances in performance standards by category.
- Best Practice retailers are using as many as 5 demographic checkout plan-o-grams.

6. Make sure formulas are factored for seasonality and major title events:

- Seasonality affects type of publication (e.g.: gardening or teen fashions); retailer's seasonal peaks (Easter or Christmas); and special events (circulars and openings).
- Major title events (Diana, JFK) require special regulation.
- These adjustments require dialogue between publisher, wholesalers and retailers.

7. Verify that the wholesaler's regional managers understand your objectives.

8. Maintain direct dialogue with key publishers:

- Share your objectives and concerns, including those related to efficiencies and inventory control. Realize that distribution quantities often originate with them.
- Specify your demographic sorts and explore use of publisher consumer data.

9. Understand the concept and pitfalls of open-to-buy for inventory control:

- Some Best Practice retailers stress inventory turnover and dollar inventory targets to place greater emphasis on putting the right titles in the right stores in the right quantities. Care must be exercised to avoid hurting sales by cutting quantities on key titles or by seriously damaging the variety (not duplication) of titles needed to present the image of a valid assortment.

Distribution Formulas Case Study

Typically wholesalers allocate copies based upon the three most final issue sales. This can create inaccurate allotments for high or low seasonal trends since the sales base used is for a different season. Therefore, we recommend that you work closely with your servicing wholesaler to use the correct seasonal issue when forecasting allotments for the upcoming seasonal issue(s).

The following information serves as the standard methodology used by all magazines sold to consumers at retail and will allow for continued construction of distribution formulas that work towards improved efficiencies.

- **The full 12 digit Bipad/UPC code.** This is the lead digit + 5 digits for manufacturer code +5 digit bipad + end digit. This does not include the 2 digit issue codes.
- **Frequency.** All magazines must choose one of the following to apply towards each publication: 52x, 26x, 12x, 10x, 6x, 2x, and 1x.
- **Primary Readership Category.** (See Analysis section for Category choices)
- **Seasonal Title Y/N.** Does this title have a national sales pattern of seasonal and non-seasonal sales?
- **If Seasonal:** On a national basis, specify the in-season/out-of-season monthly sales pattern for this title. On a national basis, what is the level of sales increases and decreases for each issue above the annual average sale? Apply the appropriate sales factor to each on-sale month using 100 as the mean.
- **Annual Hot issue:** Y/N. Does this title have a specific issue or issues that generally perform better than the typical issues; i.e., Back-to-School, Buyer's Guide, Anniversary issue, etc.? What is the level of sales increases for each hot issue above the annual average sale? Apply the appropriate sales factor to each on-sale month using 100 as the mean.

Results of a late-breaking case study are available at the Retail Conference or through the MPA.

Logistics Guidelines

The MRAC's commitment to improving total magazine logistics has led to a series of Best Practices. The suggestions offered below relate to in-store practices that should be understood and employed by the retailer with the support of their trade partners.

- 1. Know the delivery schedule for each store group:**
 - Track by day, frequency and time slot.
 - Be sure this fits the needs of the business. Adjust accordingly.
- 2. Special services are a major element in magazine logistics:**
 - Where Friday deliveries and weekend pull-up services are available, determine whether those stores enjoy better sales/efficiencies than others with similar volume, less services do.
 - Consider testing interim mainline/checkout pull-up by store personnel (refer to Merchandising section).
- 3. Have a simple, quick check-in procedure with adequate controls to spot variance:**
 - Be sure that the bundles or totes are easy to scan and handle.
 - Monitor the variance and reconciliation reports.
 - Understand the value of UPC barcodes on the packing list.
- 4. Magazines should be processed as soon as received as they are perishable:**
 - Goal is to have product delivered to racks – mainline and checkout – at the time it is to be placed on the floor.
 - A designated person (or position) in each store should be responsible for maintaining back-stock and replenishing as necessary. Consider bonus/commission against sales.
 - Returns should also be processed by a designated person, and product should be immediately removed from store.
- 5. Know your scan capture capabilities; try to format the data into logical sorts:**
 - Most important is checkout vs. mainline titles.
 - Second priority is by store cluster.
 - Third priority is subcategories (see Analysis section)
- 6. Maintain a tight returns system with a solid audit trail to spot and reconcile variances.**
- 7. Understand how EDI can provide documentation to enhance in-store logistics.**

Logistics Case Study

Objective: to reduce labor and increase efficiency in the processing of store-level returns, as well as improve logistics for receipt of product at store-level.

The following two initiatives were planned with the close cooperation of a supermarket chain with large, highly productive food and drug combo formats and the chain's magazine wholesaler. These initiatives offer interesting "food for thought" for other retailers as the results will **reduce labor costs** and **create greater processing efficiencies**.

The process outlined below should require a minimum investment in capital. However, it is important to recognize that other processes are available, including pay on scan, that ultimately may be more efficient and cost-effective.

Initiative #1: Returns Processing:

1. All unsold magazines at both mainline and checkout are gathered into totes or bins at store level by the wholesaler. The totes are secured and identified by store and taken directly by the wholesaler to the wholesaler's distribution center. The return coincides with the main delivery to minimize freight costs. These returns are held secure for a short period (2-3 days) until the retailer comes in to audit the returns from all stores.
2. Designated individual from the retailer goes on site at the wholesaler distribution center to open and review the accumulated returns and audit the counts as processed into the wholesaler's system.
3. The labor savings are measured by documenting and comparing cost of processing returns on a store-by-store basis as previously done versus the new procedure. At present an estimated **75% reduction in checkout time** is experienced.
4. Quality control is addressed on a weekly basis between retailer and wholesaler management to ensure that discrepancies between wholesaler and retailer counts are minimal. This weekly process is possible as a result of the retailer's presence on site. Additional savings are realized in **less billing research** for the credit process. Both parties agree that at the time of sign-off quantities are considered firm and non-negotiable.
5. After the first 60 days, the results demonstrate labor savings, and the MRAC believes other retailers can implement similar programs to create greater efficiencies.

Initiative #2: Product Delivery to Stores:

1. The main weekly shipment of product is prepared and available for audit at the wholesaler's facility during the same timeframe as the returns process.
2. Bundle pack counts and title content are verified on a statistically valid sample size. This sample is taken from the wholesaler's prepared shipments at the discretion of the retailer.
3. Shipment to stores is secured in bins in the presence of the auditor.
4. Retailer at store verifies bundle counts only, not bundle content, at store level.
5. Remedy for shortages for the bundle content during the audit is to be spread across the chain's entire purchase order for all stores.
6. Remedy for shortages of bundles within a store would apply to that bundle for that store only.
7. This process is expected to have a significant impact on the delivery process, impacting both wholesaler and retailer labor, and should reduce the impact on retailer at the backdoor.

Product Assortment Guidelines

- 1. Put demographic profiles to work:** Magazines target readers from specific segments of the general population. Accordingly, a magazine's editorial makeup is geared to the demographic traits of the intended reader. As a result, this category is capable of creating demand-driven allocation models to turn a "publisher push system" into a "consumer pull system."
 - Share the demographic profile of individual titles with your trading partners.
 - Greeting cards and magazines both involve a large number of SKUs and target a specific consumer segmentation. A similar approach for demographic information is appropriate, and the retailer should work with their category captain to obtain data.
- 2. Determine demand for specific magazines by store cluster:**
 - Clustering creates smaller more manageable groups of stores out of larger collection of stores.
 - The dominant demographics of each cluster are used to create product potential, a critical step in category management. This leads to establishing different footprints and assortments in stores of different size, volume and customer profiles.
 - One major chain calls this "Neighborhood Marketing."
- 3. Create distinctive plan-o-grams for checkout and mainline product assortments by demographic cluster:**
 - Treat each cluster as a chain within a chain and vary product mix accordingly at checkout and mainline.
 - Core titles in all stores with presence and size of niche categories determined by the sale potential provided by demographic cluster.
 - Selectively merchandise category leaders at both checkout and mainline.
- 4. Give special attention to ethnic titles:**
 - As the US becomes more ethnically diverse, the business segments of the African-American and Hispanic consumer are booming.
- 5. Make sure there is a regular review system to monitor and modify the mix:**
 - Title/issue specific sales data will identify weaknesses in title efficiency and strengths in growth categories; use to refine category blocking and title assortment on a regular basis.
- 6. Obtain access to trade partners' consumer data:**
 - Will sharpen demographic definitions, enhance target marketing capability.
 - Heavy-subscriber data by zip code indicates good single copy potential.
 - Joint ventures between publishers and retailers are very productive and benefit consumers.
- 7. Communicate a clear understanding of variety vs. duplication:**
 - Unnecessary duplication results in title efficiency numbers below 25%.
 - Understand how title depth varies by category and subcategory.
- 8. Continue to realize the benefits of cross-merchandising and outposting.**

Product Assortment Case Studies

Initiative #1: Efficient Assortment Title Optimization

A major wholesaler used efficient assortment methodology designed to maintain variety while reducing duplication within the mainline. This aggressive title optimization covered a 90-day test period (June through August, 1999, compared to the same period in 1998) in one drug, one convenience and two supermarket chains. The program has since become a permanent initiative. Significant and detailed demographic point of sale data and wholesaler sales analysis was conducted prior to reducing the duplication. All titles were given full-cover display at the rack. It should be emphasized that these results cannot be achieved with indiscriminate title reduction; in fact, demographic profiling tools (such as Spectra), sales histories and sub-category reviews should be utilized along with complete and detailed scan data.

- The drug chain test consisted of 174 stores. Displayed titles were cut. Sales increased 10.1%. Efficiency increased 10.2 points or 49%.
- The convenience chain test covered 400 stores where display titles were reduced. Sales and efficiencies increased over 4%.
- The two supermarket tests consisted of 120 stores. Displayed titles were cut thus removing duplication. Sales increased 7.8%. Efficiencies increased slightly over 3 points.

Each efficiency point gained translates to 2,500 copies less handled annually, or 50 copies less handling per store per week.

Interpretation: While these are relatively small samples containing sharp title reductions, there are potentially attractive ROI and Logistics savings inherent in strategic title reduction. All titles were not distributed in all stores, but the titles selected comprised 90% of all sales. After the titles were selected, store-by-store analysis was done to ensure each store had coverage of the Product Assortment sub-categories that sell best for that store. The draws were then increased for certain higher selling titles. The subject clearly merits further study.

Initiative #2: Demographic Clustering Case Study

A national retailer is currently testing demographic clustering. The goal is to improve sales and efficiencies, with an initial focus on mainline because that is where the most dynamic efficiency gains can be realized.

- The cluster merchandiser reveals four distinct demographic clusters set to place weighted emphasis on dominant demographic traits (such as age, presence of children, lifestyle, race, age, education, household income, housing tenure and household size) of the customers frequenting specific store locations. The demographic traits of each cluster are used to help determine product potential of specific magazine categories.
- Each magazine has a reader profile that identifies dominant demographic traits of readers who purchase the product. These profiles are then matched with individual store demographic information to create magazine and category potential in each cluster.
- Point of sale scan data is used as a cross-reference to demographic profiling to make sure all categories with significant sales history are represented. Category leaders are identified to assure representation, and high demand categories require additional facings.
- The number of facings that each store's fixtures are capable of displaying is calculated, and the chain's RDA consultant develops the plan-o-grams to include category size by cluster with the category leaders displayed in front row.

Merchandising & Display Guidelines

1. **Improve the category's overall profitability and efficiency by re-merchandising the checkout and mainline between wholesaler visits.**
2. **Create additional sales by keeping checkout pockets full with plan-o-grammed product and the mainline organized by category.**
3. **Ensure the Top "Selling" magazines are at every checkout:**
 - The top 50 titles represent close to 40% of total magazine sales!
 - Display top-selling magazines at all checkouts to avoid congestion in looking for "favorites."
4. **Manage the front-end as a department:**
 - Provide dedicated management for the front-end for better results.
 - The front-end contributes over 1.1% of store sales and 1.5% of profit.
 - The checkout is the last chance to effect sales and the only location all shoppers visit.
5. **Use front-end product and fixturing to manage and direct traffic:**
 - Include magazines on all cooler fixtures to help drive impulse sales in the heavy traffic lanes (e.g., express checkouts).
 - Focus on the most productive items at checkout (e.g., Candy and Magazines).
6. **Avoid category clutter at the front-end:**
 - "Broad assortment" concept is best achieved in-aisle.
 - Fast moving, best selling items (i.e., magazines and confectionery) ensure quick turns and uncomplicated restocking options.
 - Magazines and Confectionery are the categories most often bought at the checkout.
7. **Experiment with high-impact visual treatments for the mainline:**
 - Adapt some lighting and graphics techniques from terminals and bookstores.
 - Make sure major subcategories are clearly signed for easy shopping.
 - Make disciplined use of plan-o-grams.
 - Reserve space for hot new titles.
 - Reserve space for seasonal titles.

Merchandising & Display Case Study

Objective

1. Determine the impact of implementing best practices for retail merchandising in supermarkets by establishing baseline between retailers with various levels of in-store merchandising service to quantify lift of “Best Practices.”
2. Verify current velocity, title sale, dollar sale and efficiency for magazines at the checkout and mainline for all participating chains.
3. Document the lift in sales and efficiencies from more frequent merchandising.
4. Illustrate the value and return on investment to retail senior management of devoting additional personnel resources to the process of in-store merchandising of magazines.

Methodology

1. Tested a geographic cross-section of ten sample stores in each of six major supermarket chains (Midwest, Southwest, East Coast, West Coast and Southeast) for a nine-week period beginning during the third and fourth quarters of 1999. Attention was given to include an even mix of low, middle and high volume accounts. Additionally, control groups of stores were used to ascertain lift.
2. Utilized the assistance of all major wholesalers and their in-store merchandisers, operating with merchandising guidelines. The four largest wholesale groups (Anderson News, Hudson News, Chas. Levy and the News Group) assisted in the data collection and, in some cases, the actual in-store merchandising.
3. Adjusted copies in all of the test areas, insuring adequate product support.

Results

- This was a most ambitious and collaborative study, representing industry teamwork at its best. Sales increases for individual chains ranged from **8.3%** to **12.6%**. Sales increases for individual stores ranged from **3.5%** to **32%**. Sales increases for the 60 test stores in the aggregate were over **9%**.
- The best results for increased efficiencies came from the checkout, which increased an average of **10** points, from an industry norm of **38-45%** to **48-55%**. Efficiency increases for individual chain tests ranged between **3.8** points and **14.1** points.
- Costs of the additional in-store merchandising labor averaged only **16.3%** of the increased retail sales. More impressive was that the additional labor averaged only **50.3%** of the incremental gross profit on sales. In a business where margins are razor thin – food industry averages 1.86% pre-tax profit – this is truly a worthwhile return on investment.
- When product is filled in by moving it between checkouts once each day and by keeping the mainline area organized, research shows that the overall sales lift for the category is between **9%** and **12%**. On average, re-merchandising takes less than **4.5** additional labor hours per store per week, which is partially offset by the savings in return processing of **1.5** less hours per week, or better efficiency.

More detailed results are available at the Retail Conference or through the MPA.

Analysis Guidelines

- 1. Study Checkout vs. Mainline as the first sort:**
 - Analyze sales and efficiencies for checkouts and mainline as two separate businesses.
 - Look at these results by store volume cluster and, when possible, by demographic store cluster.
- 2. Use sub-classifications to learn how the business breaks down:**
 - Analyze sales and efficiencies for a standard list of subcategories. Such analysis helps rationalize the mix, drives more sales and improves efficiencies.
 - A recommended retailer's category sort is listed in this Retail Guide on page 14.
- 3. Understand the relationship between inventory turnover and efficiency improvement:**
 - Establish turnover and efficiency targets for mainline vs. checkout. They are two separate businesses and therefore merit separate measurement standards.
 - Realize that turn and efficiency targets, which are set too high, can backfire by actually lowering sales.
- 4. Know the basic logic behind distribution formulas:**
 - Be sure that they provide for seasonality, major cover events (Diana or JFK tragedies) and demographic differences.
 - Where efficiencies are low, it is wise to ask about the formulas and how they are being employed.
- 5. Apply Inventory Yield (GMROI):**
 - This is an indicator of the return on your inventory dollars.
 - Focus attention on subcategories and other segments that fall below the standard of \$5.00. (for every \$1.00 of average cost inventory, the retailer gets over \$5.00 in GP annually).
- 6. Review Sales per pocket for the checkout:**
 - This will serve as an additional guide for improving the product mix and efficiencies as part of the annual review process between retailers and their trade partners. Additionally, look at your performance by tier to recognize differences.
- 7. Document Sales per linear (base deck) foot for mainline:**
 - This will provide valuable comparison with other categories in the store.
 - For GM in most supermarkets, \$25.00/linear foot/week is acceptable, \$30.00 is good, and \$35.00 is excellent. Anything above \$40.00 may merit more space.
 - Low numbers generally equate with low efficiencies, though results vary according to retail format and total individual store sales.

Source: Supermarket Benchmark Database, James D. Hamblin Inc.

Analysis Case Study

Space Productivity: Sales per linear foot per week

As category management matures, more retailers are giving closer analysis to space productivity, bringing mainline magazines under close scrutiny.

The following recap is sourced from the proprietary and copyrighted benchmark database developed by James D. Hamblin of the Allen Levis Organization, Inc. These numbers represent above average, but not best practice performance.

1. In-line General Merchandise produces an average of \$32.40 per linear foot per week in supermarket combos and slightly over \$20.00 per linear foot per week in conventional formats without drugstore and an expanded General Merchandise assortment. These figures exclude the GM seasonal aisle which skew the averages upward.
2. Magazines, by contrast, generate an average of \$38.50 per linear foot per week in combos and \$28.00 per linear foot per week in conventional formats.
3. Greeting cards typically average less than \$25.00 per linear foot per week in combos and less than \$20.00 per linear foot in conventional formats.

Interpretation:

- This is another important measure of the magazine category's assortment efficiency and effectiveness.
- As sales per linear feet increase, efficiency numbers also increase.
- For magazines, this data presents another opportunity to treat the mainline as a separate entity with its own numbers.
- Retailers are encouraged to look at their own productivity against these benchmark norms and to work with their trade partners to monitor and improve results.
- One absolutely critical determinant is location and presentation. Best Practice retailers are developing prominent Reading Centers with books, magazines and dramatic signage.

The retailers on the Magazine Retail Advisory Council have endorsed a “master category” listing for recommendation to the industry. The objective is to have a standardized reference with a macro perspective for sorting the many sub-categories of magazine titles.

We present two listings here: first, the standardized listing of Editorial Categories utilized by the IPDA; second, the streamlined version. It is important to emphasize that the latter enables a more extended sub-category sort for wholesalers and their retail trading partners to use when authorizing titles to include/exclude in their consumer offering.

EDITORIAL CATEGORIES

01000 Almanacs: Farmers	39000 Health & Fitness	75000 Sports: Water
02000 Annuals: Fact Bk/Reference	40000 History: General/Nostalgia	76000 Sports: Winter (Skiing)
03000 Annuals: Tax Guides	41000 History: Military	77000 Tabloids
04000 Animals	42000 Hobby & Craft (Hol/Knit & Sew)	78000 Teen
04400 Animals: Horse	43000 Horror	79000 Television Programming
05000 Art	44000 Humor: Adult	80000 Tennis
06000 Astrology	45000 Humor: General	81000 Travel
07000 Audio/Stereo	46000 Hunting & Fishing	82000 Video: Cassettes
08000 Auto: Buying & Price Guide	47000 Fishing (Only)	83000 Video: Magazine
09000 Auto: Enthusiast/Collector	48000 Hunting (Only)	84000 Women's: Beauty/Fashion/Hair
10000 Auto: General	49000 Literature	85000 Women's: Service
11000 Auto: High Perf/Kit&Part	50000 Martial Arts	86000 Women's: Sophisticate
12000 Auto: Multi-Purpose	51000 Men's: Fashion	87000 Young Women's: Service
13000 Auto: Off Road	52000 Men's: General/Adventure	88000 Women's: Multi-Purpose
14000 Auto: Trucks, Vans & RV's	53000 Men's: Sophisticates	89000 Software
15000 Aviation	54000 Miscellaneous (Magazines)	90000 Unidentified
16000 Bicycling	55000 Movies/Films	91000 Western
17000 Boating	56000 Muscle & Weight Training	92000 Architecture & Design
18000 Bridal	57000 Music	93000 Environment
19000 Business: Career/Civil Srv	58000 News/Weekly/Personalities	94000 Gaming/Gambling
20000 Business: Finance	59000 Outdoor/Camping	95000 Gardening
21000 Calendars: General	60000 Photography	96000 Theatre/Performing Arts
22000 Calendars: Sophisticates	61000 Purse Books	
23000 Children	62000 Puzzles: Crosswords	
24000 Comics	63000 Puzzles: Variety/MultiPurp	
25000 Computer	64000 Puzzles: Word Search	
26000 Computer Games	65000 Regional	
27000 Consumer Information	66000 Romance	
28000 Crime/Detective/Mystery	67000 Running	
29000 Cycles: Off Road	68000 Science: Fiction	
30000 Cycles: Street	69000 Science: Technology	
31000 Electronics	70000 Shelter: Home & Outdoors	
32000 Ethnic (Afro-American)	71000 Soap Opera/TV Personality	
33000 Family	72000 Social/Public Interest	
34000 Food: Cooking & Diet	72300 Philosophy	
35000 Food: Recipe Digests	72600 Political Science	
36000 Food: gourmet	73000 Special: Trading Cards	
37000 Golf	74000 Sports (Spectator)	
38000 Guns		

MAGAZINE SEGMENTATION

To establish standardization within the industry, MRAC endorses the use of the following title classifications. These magazine classifications are based on consumer input from focus groups conducted in major metropolitan markets and have been adopted by a growing number of retail chains. Note that the classifications may vary, particularly at the sub-category level.

Personal Interest: Titles appealing to specific demographic/psychographic consumers.

- Men (fashion, general, sophisticates)
- Women (bridal, romance, fashion, general)
- Children (humor, comics, cartoon)
- Teen
- Alternative Lifestyles
- Ethnic/Foreign

General Interest: Titles appealing to readers across multiple demographic/psychographic classifications where purchasing patterns are not as highly correlated as in the Personal segmentation above.

- Business/Finance
- Entertainment (TV, movie, home entertainment, detective)
- Family/Home (family lifestyle, parenthood, garden, landscape, architecture, décor/renovation, real estate)
- Food (includes cooking, diet, beverages)
- Health/Fitness
- Lifestyle (personalities)
- News (international, national, political and regional)
- Sports (includes spectator and participatory)
- Social/Literary
- Tabloids/Weeklies

Special Interest: Niche titles appealing to a more specific reader.

- Animals/Pets
- Arts (includes music, art, photography, theater, etc.)
- Audio/Video/Stereo
- Catalogs/Almanacs
- Computers (includes Internet)
- Crafts/Sewing
- Hobbies
- Outdoors (includes hunting, fishing, hiking, camping, climbing, canoeing, guns, etc.)
- Puzzles (crosswords, other)
- Science/Technology (includes environmental)
- Transportation/Recreation (automotive and other vehicles — bicycling, motorcycles, trucks, RV, airplanes, boating, regional)
- Travel (includes travel guides)

Glossary of Terms

ASN = Advanced Ship Notice: An electronic data interchange (EDI) transaction set used to list contents of a shipment and additional information relating to the shipment.

Affidavit of Returns: The system whereby the national distributor gives credit to the wholesaler for unsold magazine returns without any physical returns as based on audit criteria. Most transactions are now done electronically.

Allotment Notice: Document generated by the national distributor to the wholesaler, which has a breakdown of all magazines scheduled on sale during a particular week. The notice lists the magazine name, cover price, bundle count, allotment, on sale date and call in date. The document is normally sent to the wholesaler approximately 3 to 3 1/2 weeks prior to the week of on sale for the particular group of magazine titles.

Authorizations: The act of obtaining the retailers authorization to distribute a magazine title in their stores. Can be done via letter, signed contract or appear on an authorized title list.

Category Management: Analyzing, managing, recommending and implementing a product assortment mix with a merchandise category to achieve maximum return on investment with the optimal product mix. Can be done for in-line or checkout fixtures by utilizing a plan-o-gram and authorized list of products.

E-Commerce: Method of providing information or selling goods and services on-line or through an in-store device such as a kiosk. Relationship can be of a business-to-business or business-to-consumer nature.

Formulas: Used to regulate product distribution to the retailer, these calculations are still based on publisher push rather than consumer pull. The magazine category needs to move closer to consumer demand cycles.

- **Seasonal Formula:** To calculate the individual retailer suggested draw:
 - 1) Compare sales of most recent 3 months vs. same issues prior year to determine sales trend.
 - 2) Multiply by the appropriate national seasonal factor for the issue.
 - 3) Multiply by the appropriate efficiency factor.
- **Hot Issue Formula:** Same calculation as Seasonal except substitute the hot issue factor (percentage increase in sales over normal issue) for national seasonal factor.
- **Checkout Title Formula:** Also the same calculation but consider the number of checkout pockets for each title — stores that have 7 or less checkouts should be regulated to a higher efficiency than stores with greater than 7 checkouts.

Order-Regulation (O&R): Distribution model that allocates copies to retail accounts by utilizing past sales history and trends.

POP = Point of Purchase: Commonly associated with magazine display merchandisers made of corrugated cardboard and used for in-store, in and out promotions of special issues.

POS = Point of Sale: In-store merchandising activities at the location where magazines are sold. Activities usually involve the physical handling of product for the express purpose of improving display or counting inventory.

Print or Shipping Galley: Breakdown of print order by wholesaler by version. Different versions are required for regional ad splits, price test copies and other test versions that are each assigned a special code on the galley report.

Glossary of Terms *(continued)*

Print Order: The total number of copies printed by the publisher for a specific issue.

Production Schedule: A publisher, printer and national distributor document that includes, but is not limited to, the following information: Issue Name, On Sale Date, Ship Date, Print Order Close Date and Ad Closing Date.

Rack Administration: Administrative function primarily performed by national distributor in maintaining checkout rack counts by store, chain and magazine. Distributors generally issue payments to rack manufacturers on behalf of publisher clients after bills of lading are received from the manufacturer that confirm delivery to each store.

RDA = Retail Display Allowance: Percentage of the magazine cover price paid by publisher to the retailer for all copies sold of a particular issue. Usually administered by national distributor on behalf of their clients.

RDP = Retail Display Payment: Fixed quarterly payment to retailer that is based upon a set per pocket rate established by the publisher times the number of checkout pockets for the title in the retailers stores. The number of copies sold per issue does not affect payment.

SBP = Scan Based Payment: Financial transaction between wholesalers and retailers based upon copies scanned at registers instead of counting returns for credit.

SBT = Scan Based Trading: Data sharing of merchandise sold and scanned at the register with the goal of establishing a database for measuring product flow and movement by retail location.

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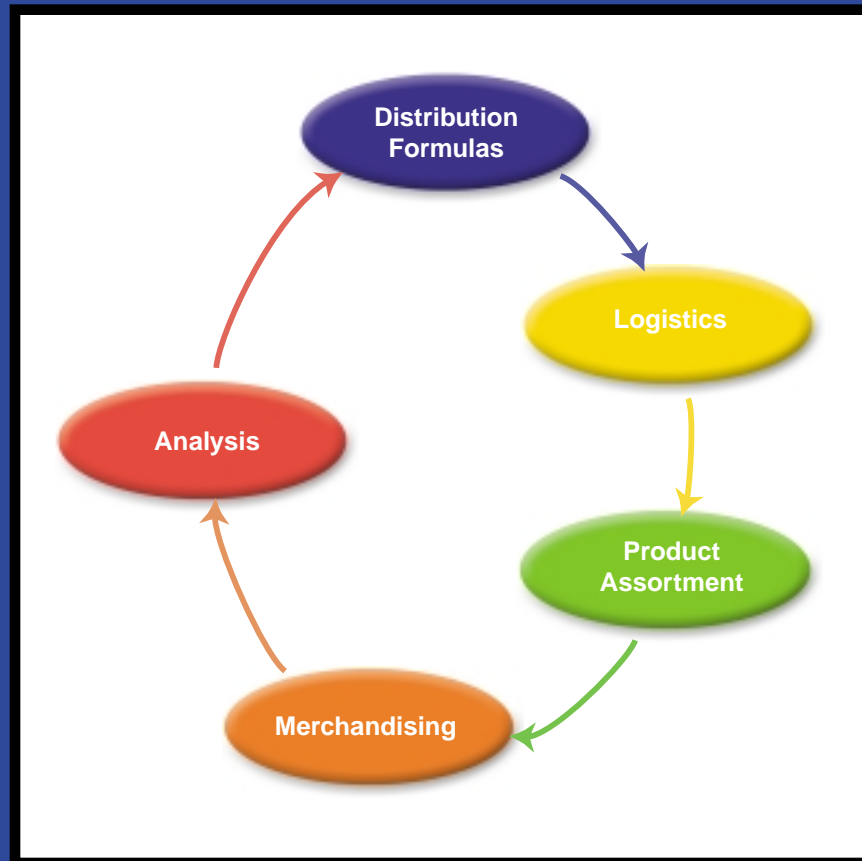
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Magazine Retail Advisory Council

For more information please contact:

Magazine Publishers of America
(212) 872-3700
www.magazine.org

MRAC Facilitators: Allen Levis Organization, Inc.
(847) 441-9400
www.allenlevisorg.com