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Cover Prices: First Half 2008

More Publishers Raise Prices. But Success Rates Are Less Encouraging

Significantly more publishers increased their cover prices during the first half of the year than has been the trend of recent years (see chart below). On the other hand, the results were less encouraging. Those are the findings of a special analysis of recently released semi-annual circulation figures of audited magazines conducted by Harrington Associates, publisher of *The New Single Copy*.

The 25% rate of titles whose unit sales rose during the same six-month period in which they also increased their newsstand cover price is not only the lowest figure in the past three years, it is the lowest figure since Harrington began measuring the performance in 1998. Likewise, the percentage of

magazines whose dollar sales rose at all, and whose dollars rose by more than the inflation rate was also the lowest during either period. For 355 titles not raising their cover price, 109 of them experienced unit increases, a performance in line with past experiences. As has generally been the case, few magazines lowered their price (only 12), and seven of them had unit jumps, but only two large enough to increase retail dollar sales.

Until this measuring period, we have maintained that the newsstand is generally friendly to cover price increases. As we stated in reviewing the overall sales in an earlier issue (8/11/08), one six-month period does not indicate a trend, but the soft numbers are certain to influence future publisher decisions.

In any discussion about pricing, it is noteworthy that four major newsstand titles - Bauer Publishing's *Woman's World*, *First for Women*, *In Touch*, and *Life & Style* - all instituted major price hikes during the period. Each of them were previously priced under \$2.00, a level nearly all other publishers had pushed past quite some time ago. A factor that made newsstand price-increase-friendly has been the low key approach most magazine publishers have generally taken to marketing price. Few publishers make price easily identifiable for consumers. It might be hidden in the barcode, camouflaged in small print on a corner, or tucked away on the spine. The only place these publishers drew any attention to their newsstand price was on subscription insert cards buried in the pages. Bauer was the

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Increased Cover Prices

	No.	\$ Up	\$ Up Inflat.	Units Up	
04-05 (1st 6 Mos)	90	52	48	31	34%
(2nd 6 Mos)	115	73	73	38	33%
05-06 (1st 6 Mos)	109	62	52	28	26%
(2nd 6 Mos)	78	51	48	30	38%
06-07 (1st 6 Mos)	101	70	62	33	33%
06-07 (2nd 6 Mos)	118	78	67	35	28%
07-08 (1st 6 Mos)	138	72	63	33	25%

One of the most respected newsstand consulting firms, MCC has, since 1982, played an integral part in the successful launch of many of today's newsstand magazines



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Cover Pricing (cont.)

leading exception to this practice, promoting their low prices in starbursts or balloons on the cover (some competitive titles followed suit). Hence, when Bauer raised their prices (the two celebrity weeklies, *In Touch* and *Life & Style* went up 50% to \$2.99; *Women's World* and *First* were less aggressive), potential buyers were much more likely to recognize the magazines now cost substantially more. The results, particularly for the celebrity weeklies, which had both been on growth curves, were dramatic. *In Touch* units were down 28.7% and *Life & Style's* fell 30.2%, although retail dollars rose for each, 7.2% and 4.8% respectively. *Women's World* and *First*, whose increases were gentler, experienced unit fall-offs, 10.5% and 4.7%, but their dollar growth figures were more comforting: plus 7.5% for *Women's World* and an impressive 19.2% for *First*. Some observers have noted that since most Bauer titles are newsstand-revenue driven, with limited advertising pages, the overall performance was at least tolerable for the publisher.

A few performances worth noting. Large newsstand magazines combining price hikes with unit sales increases included *People*, price up 12.9%, units up 5.2%; *Cooking Light*, price up 8.5%, units up 3.8%; and *Men's Health*, price up 10.9%, units up 2.0%. Among larger newsstand titles not raising their costs, some had strong unit growth, and they might be considering price hikes: *Popstar!*, units up 29.4%; *Twist*, units up 27.0%; *Fitness*, units up 20.0%; and *OK!*, units up 19.4%.

A major publisher on pricing: In an interview in *Circman.com* (9/17/08), the email newsletter of *Circulation Management*, Paul Caine, president of the Entertainment Group at Time Inc., offered the following: "Our pricing approach has always been to price appropriately for the market based on what we believe the consumer is willing to pay, and the value we are providing to them...For those reasons we exceeded \$4.00 for the first time on our average newsstand price [for *People*]."

PBAA Seminar Focused on Publisher Data Sources

Last week, in New York, the Periodical and Book Association of America (PBAA) had more than 50 publisher and national distributor representatives at a seminar to review the services of Magazine Information Network (MagNet). Lisa Scott, PBAA's executive director, told *The New Single Copy* that the reception was "extremely positive."

MagNet has recently become the sole supplier of wholesaler collected magazine sales data to all major national distributors (*The New Single Copy*, 9/15/08). However, for them, MagNet is only providing a feed

of raw data, which the national distributors then develop and analyze. At the PBAA seminar, Gil Brechtel, president of the wholesaler-owned service, and other officers, demonstrated, in an interactive format, MagNet's expanded resources. Using weekly data feeds from its member wholesalers, whose sales represent an estimated 98%-plus of the U.S. and Canadian market, those capabilities can provide more timely sales performance data to publishers and national distributors in a broad range of formats. The data includes magazine draw, return, and sales information, segmented by wholesaler ownership group, agency, and by chain. It can also be presented in customized formats. Brechtel told *The New Single Copy* that a printed, non-interactive, version of the presentation to PBAA will be available on their website, www.magnetdata.net, as of September 22.

Around the Business

Terminal Turmoil. Audience. Esquire. MagHound

In recent weeks, there has been an unusual level of changes taking place in terminal accounts, retail accounts that are traditionally among the highest volume of all retail categories. In some instances, airport authorities have changed their vendors, or at least modified their mix of vendors. In other areas, the vendors have changed their servicing wholesalers. It should be noted, that while terminal accounts are often among the highest volume locations, they are also among the most expensive for publishers to be displayed in, and often only marginally profitable for wholesalers to service ...*MediaPost.com* (9/17/08) reported that the latest figures from **Mediamark Research and Intelligence (MRI)** found that 74% of magazines increased their audience during spring 2008 versus their spring 2007 audience; and that overall magazine audience was up 4.3%. The report is based on MRI's sample of 95 leading consumer magazines....The 75th anniversary issue of *Esquire* magazine, which went on-sale last week, featured an electronic cover on 100,000 newsstand copies. Utilizing microcapsule technology, the covers blink on and off. Chris Butler, of Hearst Magazines, the publisher, told *The New Single Copy*, that sales in bookstore chains were likely to be virtual sell-outs. Overall, the sell-through for the issue appeared to be on track to be one of the best ever for the men's lifestyle title....**MagHound**, the new program from **Time Inc.**, which allows customers to mix up their monthly magazine selections, is now active, at www.maghound.com. For auditing purposes, sales will be considered as single-copy, which clearly does not necessarily mean newsstand.