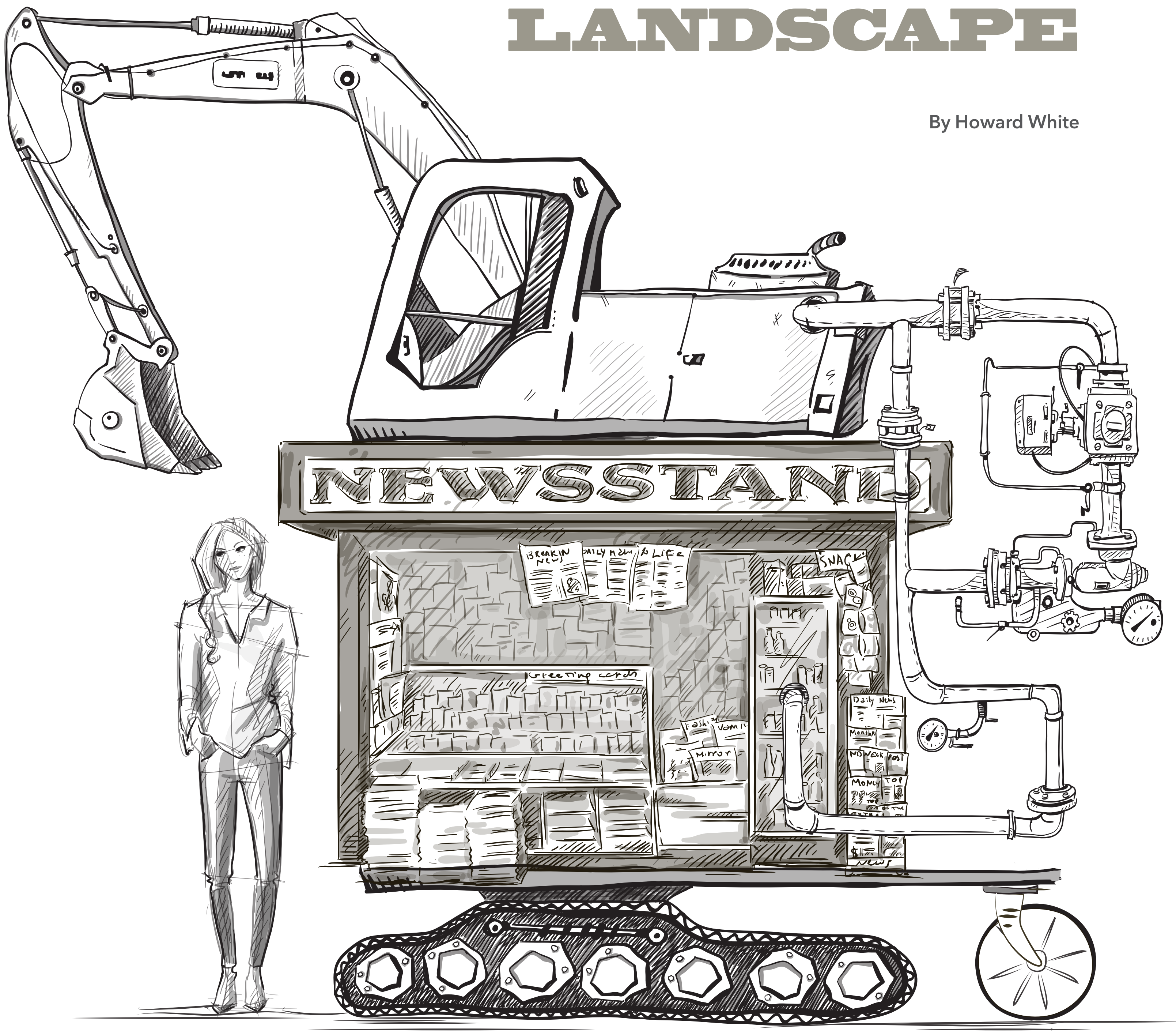
Single-Copy Sales: THE NEW LANDSCAPE

By Howard White



Anyone in magazine publishing knows there have been major changes in the newsstand supply chain. Major supermarkets and drugstores have absorbed their weaker rivals, leading to general retail consolidation and fewer independent retailers. Companies like Safeway, Kroger, Wal-Mart, CVS, Rite Aid, Barnes & Noble, and Books-a-Million dominate the retail sales of magazines nationwide, each with its own agenda and economic goals. Their variable commitment to display space and newsstand promotions, as well as their scrutiny of sales statistics, have led to regular reductions in checkout and mainline display fixtures.

National wholesaler consolidation follows similar lines. With Source Interlink Distribution leaving the magazine business altogether in 2014, TNG (The News Group) and Hudson News Distributors now control the vast majority of chain retailers servicing metropolitan markets. They are responsible for 71 percent and 18 percent of market share respectively. A small number of independent wholesalers remain, primarily in the Northeast and Middle Atlantic regions, but they are left to work with a diminishing number of mom-and-pop retailers whose newsstand sales potential is also shrinking.

Given these realities, it's more important than ever for you, as magazine publishers, to mind your shops carefully. It falls to you to actively manage the factors that impact your success at the newsstand and that help sustain the distributors' fragile cost to serve. Here are eight things every publisher selling on the newsstand can do.

Know Your Numbers

Whether you're using a national distributor or working directly with wholesalers, be aware of your individual costs. This enables you to set reasonable "break-even" goals for your title and gives you a baseline for negotiations with national distributors or wholesalers/retailers. A savvy publisher wants to know its:

- Discount to wholesaler and/or national distributor.
- Reship fees charged by specialty channel wholesalers (e.g., Ingram/TNG, Media Solutions).
- Tier fees for incremental added costs per copy.
- Cost to ship from printer using a reshipper like Clark Distribution Services (CDS), or cost of direct shipping to wholesaler.
- Average annual retail sales.
- Competitive title set retail sales (often a great barometer for market potential).

Manage Cash Flow

Attentive publishers monitor on- and off-sale dates; invoice in a timely manner; and negotiate with their national distributor for payment terms that minimize certain deductions and optimize the timing of these deductions.

For some, this is a complex picture, and it's important to recognize how one piece affects others. For example, consider publishers whose titles are subject to "less frequent title" (LFT) designations (see sidebar, page 9). Something as minor as changing their national distributor-contracted payment schedule (say, adding 15 days to the print schedule) can, for some, eliminate the impact of the LFT fees and scan-based trading (SBT) accounting changes (see sidebar, right), reducing these offsets and establishing more reliable payment schedules. Work closely with your national distributor and wholesaler to identify these complimentary variables.

Know Your Competitors

Most magazine publishers can identify at least one title in the marketplace that is either a direct competitor or reaches a similar demographic/psychographic consumer base. Use available data resources like MAGNET (www.magnetdata.net) to drill down into specific retailer/wholesale transactions for these titles, as well as your

Change at the Newsstand

The industry has implemented new programs recently that have the potential to affect publishers, for both good and bad.

Scan-Based Trading (SBT)

All major retail chains, most wholesalers, and a growing number of small retailers now operate on this platform, which closely resembles Barnes & Noble's pay-on-scan (POS) system. With scan-based trading (SBT), retailers pay wholesalers based on actual, real-time reported copy sales rather than unsold copy returns. Unfortunately, SBT systems vary in their accounting reconciliations, so it's hard for publishers to predict final sales or the timing of expected payments.

(+) knowledge is power; use it to quickly adjust distributions for future issues

(−) unpredictable cash flow

Off-Invoice RDA (OIRDA)

Once upon a time, mass-market retailers were responsible for documenting their own sales and making their retail display allowance (RDA) claims to publishers, with typical retailer rebates of 10 percent of cover price on copies sold for general merchandise retailers and 20 percent for transportation-class retailers, such as airport terminals. These rebates were generally claimed 90 days after the prior quarter sales were final. Most publishers received RDA claims on approximately 85 to 90 percent of their single copy sales.

Now the industry has moved to off-invoice RDA (OIRDA), wherein publishers are required to offer a 10 percent RDA upfront, applied in the wholesaler's invoice from the national distributor and passed-through to the retailer, effectively giving the retailer an immediate additional 10 percent discount. Formerly, most publishers provided a wholesaler discount of 40 to 45 percent of the cover price on copies sold; now, with the 10 percent OIRDA included, this jumps to 50 to 55 percent and is applied to all copies sold, not just to the retailers who claim the sale.

simplified, predictable

higher discount given to wholesaler/retailer; claim rate at 100 percent, immediately taken off invoice (not deferred payment); decreased auditability

own. Study the data to learn this information about your competitors:

- Best retailer class of trade (e.g., Are sales higher in supermarkets or airport terminals?).
- Specific retailers with ample market penetration and above-average sales.
- Specific wholesalers and geographic markets.

Understanding these metrics can help you avoid investments in markets and/or retailers that would likely be ineffective for your title(s). Knowledge translates to power when placing a title into the newsstand distribution channel. Talk to your national distributor about acquiring MAGNET data or subscribe on your own.

Build Retailer Approvals

Once your best retailer classes of trade and geographies of importance are identified, you can assess your title's retailer approval base and develop a responsible retail marketing plan. Identify key retailers to approach, either directly or through your national distributor. Realize that more and more retailers are allowing wholesalers to authorize specific retail chains at their discretion. Begin with your national distributor but recognize that a thoughtful conversation with your wholesaler may be crucial to opening up key accounts in core markets with demonstrated sales.

Some retailers require a "pay-to-play" approach. You may be required to invest in an initial retail promotion for a test distribution, so evaluate whether or not this cost can be offset over time with increased sales in the new markets.

Implement Your Distribution

Develop a responsible distribution strategy based on the competitive title sales. Focus first on retailers with strong sales at initial test distributions and try to set your allocations at around 1.5 times the average net sale of your best-selling competitor. For instance, if your competitor sells 2.25 copies per month on average in a specific location, allocate at least 4 copies of your own title.

Enter the retailer at a realistic level — strong enough to be seen, yet not too heavy to force premature returns, which translate to unnecessary printing and shipping expenses.

Monitor and Adjust

The increased amount of available information makes it tempting to alter your distribution on a whim. Instead, identify consecutive issue sales trends and work methodically. After two or three issues, conduct a store-by-store review and adjust your allotment to each retailer based on the average sales of these issues. This should lead to improved sales percentages.

Failing to manage sales inefficiencies at the wholesaler/retailer level may trigger "withholding" by the wholesaler. This occurs when the current allotment is too high compared to the average sale. For example, if you allot 500 copies to a given wholesaler and your average sale is 78, over time that wholesaler will likely distribute only 300 or so of these copies to satisfy its 26 percent projected sales goal. The 200-copy difference, which has already been printed and shipped, will be destroyed and credit issued with no hope for income on these copies. SBT can help you reduce withholding if you keep tabs on it and adjust allotments accordingly.

Promote Newsstand Display

Getting discovered at retail is key. A newly approved retailer may stick your title in the back of the display where attracting consumer attention is difficult. Avoid this by crafting a promotion that puts your magazine front-and-center. For example, negotiated promotions like Barnes & Noble's "Front Shelf Feature" and Kroger's "Feature Title," although relatively expensive compared to a standard slot, move titles to more prominent positions on the magazine display.

Promotions aside, effective newsstand cover design is a critical newsstand strategy. Perplexingly, it's the last thing many publishers address. Successful covers utilize strong, high-quality images; readable, pertinent, and understandable sell lines; and bold, colorful, easily identifiable logos. This requires as much effort as the "nitty-gritty" financial aspects I've described. Effectively designed newsstand covers, promoted at retail, can increase net unit sales for a title by 5 to 7 percent. Each issue cover should strive to:

- Attract the consumer.
- Identify your title and niche.
- Tell a story of what's inside using a few powerful words.
- Sell consumers on the relevance of your title to their needs and interests.

Create Consumer Engagement

There are a number of avenues you can explore, traditional and otherwise, to increase audience engagement. A blow-in and bind-in card program can increase the number of newsstand readers who convert to subscription, and it can spur gift subscriptions. It can also promote ancillary sales for advertisers and publishers, and trigger reader contributions to the title. All of these lead to a reader who feels more connected and actively invested in your product, improving the overall customer lifetime value of your readers.

Leverage social media to support your titles. Social media at its core is a tool, and print publishers can take advantage of this powerful instrument to announce new issue releases, build anticipation, and promote strong feature content. Just don't give away your content for free. It's crucial to find a sweet spot between piquing interest and removing the impetus for casual readers to subscribe.

It's disturbingly easy to conclude that "print is dead;" that industry consolidation will continue to consume titles, retailers, and magazine wholesalers; and that magazine publishers have little prayer of staying relevant, let alone financially solvent. Fortunately, my experience in this industry gives lie to these prophesies. Hard work, creativity, and attention to detail on the part of publishers undoubtedly reinforce the extant value of single copy sales.

Well-managed newsstand circulation programs produce positive financial results and increased circulation for publishers. They reinforce longtime readers, bring in high-quality new customers, provide a prominent profile for advertisers at a range of price points, and allow publishers to test and introduce new physical titles, special issues, and themes. Most importantly, they can convert casual readers to subscribers.

Maintaining good communication and positive relationships with your wholesalers and national distributors is key. We are all in this together. If we use these constructive approaches, the newsstand business as a whole will be lifted by our efforts.

Howard White *is president of Howard White & Associates, Inc., a freelance audience development company specializing in efficient consumer marketing programs, including newsstand sales, direct mail and other subscription marketing, customer service and fulfillment, and web/social media marketing. Howard and his team have more than 40 years of experience in the print and magazine industry. He lives in Dartmouth, Massachusetts. Connect via* hwhiteassoc@comcast.net.

LFT Payments

Less frequent title (LFT) holdback payments apply to magazines with frequencies of five issues or less per year. LFT-designated titles now see an additional 30- to 45-day delay in payments from wholesalers and national distributors.

(+) none

(−) slower cash flow; confusing accounting

Additional Expenses

New costs like tier fees and reship allowances have impacted publishers' net revenues. Certain wholesalers are assessing tier fees to publishers based on an annual review using a formula tied to frequency, total copies sold at retail, cover price, and sales efficiencies. Generally, it's a per-copy fee ranging from \$.02 - \$.10/copy distributed. Reship allowances have always existed in the bookstore and specialty retailer categories; however, these fees have and will continue to increase as wholesalers rely on this added income to offset handling costs and softer sales efficiencies.

(+) none

(−) reduced net income on copies sold