

sag—unit sales down 14 percent and revenue off 7 percent. Its two tabloid publications (National Enquirer and Globe) continued their decade's long sales slide and Star's unit sales fell nearly 17 percent. These three weekly publications represent the core problem for American Media. Their tabloids are fighting a losing battle of sales attrition and Star is deeply mired in fourth place in the celebrity category melee.

HEARST Their sales were very disappointing—excluding data from Quick & Simple, a title that was published in the second half of 2007 and closed last year, Hearst's unit sales were off 11 percent and revenue down 10 percent. Cosmopolitan's sales were bruised, but not seriously wounded—unit sales and revenue off 6 percent. However, four of their publications experienced unit and revenue declines of more than 20 percent. None was more significant than the unexpected sales descent of O, the Oprah Magazine, whose sales fell 25 percent. Their other big sales decliners in the women's field were Cosmo Girl, Country Living and Redbook whose sales were down 24, 23 and 33 percent respectively. There were few newsstand bright spots for Hearst titles in the second half of last year.

WENNER Sales at Wenner were down substantially—unit sales fell 22 percent and revenue was off nearly 17 percent. At Wenner, newsstand sales rise and fall on the broad back of US Weekly, whose unit sales tumbled nearly 24 percent, adversely affected by a price increase and the growing sales volatility in the celebrity category. US maintained its #2 rank in revenue among all publications, but it lost valuable market share to People, the market leader.

CONDE NAST Their unit sales fell 10 percent and revenue was off 9 percent. However, they had several sales highlights in an otherwise dreary period. Vanity Fair, Vogue, New Yorker and Details all showed modest sales growth. But, nearly all of their other 19 newsstand titles reported sales declines in the period. Of greatest concern to Conde Nast must have been Glamour's 18 percent sales decline. Glamour was once a top 10 newsstand title, but it has been steadily losing sales for the last decade and its newsstand sales rank has fallen to #16. Conde Nast no longer has a publication ranked in the top 15 in newsstand sales.

SOURCE INTERLINK MEDIA Their newsstand sales have continued to decline at an alarming rate. The unit sales of its two soap opera titles, which account for 48 percent of their newsstand unit sales, fell nearly 19 percent in the second half of last year. The sales of their other 40 audited newsstand publications (all niche special interest titles) were equally disappointing—unit sales down 26 percent and revenue off 21 percent. Source Interlink Media has been aggressively lifting cover prices for the last five or six years. In a market that is increasingly price sensitive, it's a strategy that appears to be backfiring.

MEREDITH In the last half of 2008 their unit sales were down nearly 22 percent and revenue fell about 20 percent. Part of the reason for the steep decline can be attributed to Meredith's decision to discontinue selling some of their titles (at heavily discounted prices)

at Dollar Tree. The results of this decision are very apparent in the sales declines reported by BH&G, Fitness and Ladies Home Journal—whose unit sales declined 39, 45 and 40 percent respectively. It should also be noted that the newsstand sales of BH&G and Ladies Home Journal were enhanced in the second half of last year by employing “combination” sales (as reported on their ABC Statements). Both titles reported 12,000 per issue “combination” newsstand sales for the period, helping boost the total newsstand sales of these titles by about 5 percent. Among their 16 titles that reported newsstand sales, only two (smaller newsstand titles – Parents and Siempre Mujer) showed improved sales for the period. Meredith's mostly mature titles are having a difficult time finding sales traction in a newsstand environment that increasingly favors weekly frequency titles and publications that appeal to a younger audience.

NORTHERN & SHELL Until the second half of last year OK! Weekly (Northern & Shell's only American title) had been rapidly progressing up the newsstand sales ladder. But in this period their sales hit the proverbial wall. The cover price was increased from \$2.99 to \$3.49 and the frequency reduced to 24 issues for the period. These changes helped decrease unit sales by 21 percent and revenue by a less severe 9 percent. Ok! appears to have lost its sales momentum, an ominous sign for a publication in the precarious # 5 ranked position in the celebrity field.

RODALE They continue to demonstrate newsstand sales vitality. Their unit sales declined minimally (4.5 percent), but they were one of only a few companies to report a revenue gain (up 2.7 percent) in the period. Men's Health and Women's Health sustained their strong performance—revenue up 5 and 10 percent respectively. Their only sales disappointment in this period was digest sized Prevention, whose sales declined 14 percent.

CHANGING FACE OF TOP 10 CHECKOUT TITLE SALES – 2000 VS 2008 – MARKET IMPACT

Many titles are sold on the newsstand, but it's the performance of ten publications, the top ten checkout titles, that define the market. Eight years ago the top 10 titles accounted for nearly half (46.8 percent) of the unit sales of all audited publications. In the second half of 2008 the top 10 titles still accounted for about half (46.3 percent) of unit sales for all audited publications.

The unit sales impact of the top ten titles has remained stable, yet the title makeup, frequency and cover pricing of these publications has dramatically changed. A comparison of top 10 titles from the second half of 2000 to the second half of 2008 (see attached chart) helps illuminate the effect of these changes. Several distinct developments should be noted:

- COVER PRICES INCREASED DRAMATICALLY**—In 2000, eight of the top ten titles, were priced below \$3. In 2008 only one title was priced below \$2.99 (Woman's World). The average price of the top ten titles increased from \$2.02 to \$3.38—a huge 67.3 percent surge. This compares to more modest price increase rates of 21.3 percent for other checkout publications and 20.4 percent for all the other audited titles during this period.
- PUBLICATION FREQUENCY INCREASES**—In 2000, seven of the top ten

titles were weekly and three were monthly frequency. Their average annual frequency was 41 issues. In 2008 only one monthly title (the mighty Cosmopolitan) remained in the top 10. During this eight year period the average annual frequency of top 10 titles rose from 41.0 to 47.6 issues—a frequency increase of 16.1 percent.

3. UNIT SALES OF TOP 10 TITLES DECLINE IN EQUAL PROPORTION TO THE MARKET—Over the 8 year period, between 2000 and 2008, unit sales of the top ten declined 28.9 percent, approximately the same rate of sales decline experienced by all other audited titles.

4. REVENUE FOR TOP 10 TITLES RISES—ALL OTHERS DECLINE—Unlike unit sales, the revenue of the top 10 and all other titles diverged in different directions. The revenue of the top ten rose 18.8, but the revenue of all other publications declined 12.4 percent.

LESSONS LEARNED FROM TOP 10 TITLE SALES TRENDS

There is much to be learned from the changes occurring among the top 10 newsstand titles.

Weeklies are Preferred—At the checkout weekly frequency publications now clearly dominate. Among other things the shift to weeklies has adverse processing and handling ramifications for wholesalers and retailers.

Higher Cover Prices are the Norm—Although higher cover prices have undoubtedly precipitated the unit sales decline, they have become the new checkout sector norm.

Checkout Sector is Zero-Revenue Based—High cover prices have helped increase revenue for the top 10 publications. Conversely this has translated into lower revenue for all other titles in the checkout sector. This helps confirm the belief that the checkout sector (indeed, probably the entire newsstand market) is zero-revenue based (that is—individual title revenue can rise or fall, but the sector/market

TOP 50 AUDITED NEWSSTAND PUBLISHERS BY RETAIL SALES SECOND HALF 2008

	Titles Cover Price 2nd H 07	Avg Cover Price 2nd H 08	Avg Sold 2nd H 08	Units Sold 2nd H 07	Units Change Units Sold	Percent Sales 2nd H 08	Retail Sales 2nd H 07	Retail Change Retail Sales	Percent
1. Time, Inc	21	3.94	4.13	64,009	65,590	-2.4	264,218	258,228	2
2. Bauer	9	2.17	2.59	83,640	108,448	-22.9	216,385	234,864	-7
3. American Media	14	3.51	3.81	46,937	54,782	-14.3	178,414	192,067	-7
4. Hearst	17	3.52	3.92	30,112	40,404	-25.5	118,037	142,364	-17
5. Wenner	3	3.79	4.06	22,798	29,367	-22.4	92,617	110,972	-16
6. Conde Nast	23	4.09	4.15	21,950	24,387	-10.1	91,110	99,931	-8
7. Source Interlink Media	42	4.38	4.98	12,913	16,724	-22.8	64,323	73,178	-12
8. Meredith	16	3.07	3.14	15,486	19,739	-21.5	48,686	60,543	-19
9. Northern & Shell	1	2.99	3.43	11,760	14,849	-20.8	40,337	44,402	-9
10. Rodale	8	4.18	4.49	7,367	7,716	-4.5	33,133	32,269	2
TOP TEN	154	3.27	3.62	316,972	382,006	-17.1	1,147,260	1,248,818	-8
11. Hachette	13	3.49	3.62	8,673	10,551	-17.8	31,411	36,877	-14
12. Reader's Digest	11	3.59	3.99	4,937	5,862	-15.8	19,723	21,088	-6
13. Future e.	7	8.48	8.53	2,063	2,132	-3.2	17,601	18,089	-2
14. Martha Stewart Living	4	4.69	4.78	3,388	3,787	-10.5	16,181	17,758	-8
15. Alpha Media	2	4.99	4.99	2,700	3,720	-22.4	13,473	18,563	-27
16. Newsweek	2	4.92	4.92	2,704	2,510	7.7	13,313	12,342	-7
17. Bonnier	25	4.77	4.75	2,634	2,704	-2.6	12,507	12,888	-3
18. The Economist	1	5.99	6.51	1,900	1,700	11.8	12,350	10,183	21
19. TV Guide	1	2.66	3.34	3,255	5,290	-38.5	10,872	14,071	-22
20. Johnson	2	2.27	2.69	3,558	3,984	-10.7	9,577	9,030	6
21. National Geographic	5	4.91	4.93	1,840	1,861	-1.1	9,079	9,132	
22. Cox Auto Traders	7	4.77	1,817	0	8,669				
23. Intermedia Outdoors	16	4.37	4.45	1,924	2,171	-11.4	8,557	9,483	-9
24. Tauton	4	7.69	7.77	1,098	1,188	-7.6	8,535	9,145	-6
25. World Wrestling	1	6.99	6.99	1,071	1,162	-7.8	7,486	8,134	-8
26. Associated	2	4.99	5.51	1,354	1,475	-8.2	7,447	7,359	1
27. Harris	2	4.22	5.26	1,372	1,732	-20.8	7,212	7,301	-1
28. Athlon	2	6.99	6.99	930	1,000	-7.1	6,501	6,990	-7
29. Barron's	1	5.01	5.01	1,248	1,431	-12.8	6,240	7,155	-12
30. Playboy	1	6.16	6.16	984	1,278	-23.1	6,061	7,872	-23
31. Ed Televisa e.	3	2.92	2.85	2,035	2,119	-4.1	5,806	6,391	-9
32. Emmis	6	5.57	5.57	1,005	1,046	-3.9	5,596	5,815	-3
33. Lindy's	2	6.99	6.99	751	727	3.3	5,250	5,089	3
34. Sporting News	5	7.03	7.31	688	793	-13.2	5,023	5,574	-9
35. USA Today Sports	1	1.75	2.01	2,496	2,834	-11.9	4,992	4,960	
36. Penthouse	1	8.32	8.32	558	606	-7.9	4,643	5,042	-7
37. Scientific American	2	4.99	5.64	792	684	15.8	4,464	3,413	30
38. Army Times	4	2.81	2.95	1,508	1,539	-2.1	4,449	4,325	
39. Weight Watchers	1	3.95	3.95	1,125	1,215	-7.4	4,444	4,799	-7
40. Canusa Products	2	4.99	5.66	766	546	40.3	4,334	2,730	58
41. Hoffman	1	4.99	4.99	846	912	-7.2	4,222	4,551	-7
(Cooking w/P.Deen)									
42. Businessweek	1	4.99	4.99	816	925	-11.8	4,072	4,616	-11
43. AIM	4	4.94	4.99	800	856	-6.5	3,992	4,228	-5
44. IDG	2	6.99	6.99	534	642	-16.9	3,733	4,494	-16
45. Ziff Davis	2	5.89	6.34	564	933	-39.5	3,576	5,500	-35
46. Paisano	2	6.99	7.66	420	480	-12.5	3,217	3,355	-4
47. Kalmbach e.	4	5.78	5.96	519	564	-8.1	3,091	3,259	-5
48. U.S. News	1	4.95	4.99	602	782	-23.1	3,004	3,871	-22
49. Discover	1	4.99	4.99	588	588		2,934	2,934	
50. Vibe	1	3.99	4.82	600	672	-10.7	2,892	2,688	7
TOTAL TOP 50	309	3.46	3.81	384,435	456,940	-15.9	1,463,789	1,579,912	-7

Source: ABC and BPA data (revenue estimated)
e. Unit Sales Estimates; unit sales for Pregnancy (Future), ESPN Deportes (Ed Televisa) and American Snowmobiler (Kalmbach) were not available at press time. Their sales were estimated based on 100% of 2nd half '07 sales.

revenues will remain unchanged).

Higher Cover Prices Mean Fewer Multiple Title Purchases—Higher cover prices for the top 10 titles has meant less multiple title purchases. This has contributed to the unit sales decline.

Strong Titles Benefit from Higher Competitive Pricing—Strong titles (#1 or #2 in the category) will benefit from higher pricing by their competitors. People magazine is a good example.

Monthly Frequency Titles Have Been Marginalized at Checkout—As the influence of weekly titles has grown, it has