

**WEEKLY INDUSTRY UPDATE**
*Industry news and information compiled by the Quad/Graphics marketing department*

July 19, 2010

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**ECONOMIC UPDATE**

**GDP:** 2.7% in Q1 2010 (down from 5.6% Q4 2009)

**Unemployment Rate:** 9.5% in June 2010 (down from 9.7% in May)

**Consumer Confidence:** 52.9 in June 2010 (down from 62.7 in May)

**INDUSTRY UPDATE – BOOK**
**Publishing Scorecards: June's Results Hide a Decline in New Bestsellers**

*(Book Publishing Report – July 2010)*

Though consumers brought more new books to bestseller lists in June than May and even matched those offered in April, with the latest month a five-week period, publishers faced the lowest rate of new ISBNs since December—the yearly low by a large margin. Still, the 169 new ISBNs in June—139 new titles and 30 new editions of previous bestsellers—represented 33.9 per week and 34.7% of all 487 ISBNs on the lists down during the month.

None of these new entries broke the top ten in June, though two of the top ten had debuted the last week of May. Five of the new entries in June made the top 25 for the month and eight made the top 50. As in May, fiction accounted for 56% of all new entries, while one-third of new entries were nonfiction—though June's 32% was slightly below May at nonfiction—though June's 32% was slightly below May at 34%. New children's entries stood at 12% in June, in between the 10% for May and 15% for March and April.

The June Scorecard covers the weekly bestseller lists from *New York Times*, *USA Today* and *Publishers Weekly* for sales reported over the five weeks ending June 5 through July 3.

### Top Titles

The turnover in the top ten by consolidated ranking across the three lists has now slowed for four consecutive months, from only three returning entries in March, to five in April, six in May, and seven in June. All three of the entries new to the top ten hit the lists in May, two of those in the last week.

The paper reprint of Stieg Larsson's *The Girl with the Dragon Tattoo* (Vintage) stayed at No. 1, giving it a total of 53 weeks since June 2009, plus another 27 weeks in hardcover before that. The mass market edition, which has appeared simultaneously with the paper edition, was No. 18 in June, up from No. 21 in May and No. 27 in April.

Larsson's newest, *The Girl Who Kicked the Hornet's Nest* (Knopf, hardcover), hit the lists the last week of May sales reports. It ended May at No. 100 with that single week and easily claimed No. 2 in June after six weeks. The late author's dominance of the top ten continued with *The Girl Who Played with Fire* (Vintage paper), though it slipped one spot to No. 5, with 15 weeks on the lists.

Elizabeth Gilbert's *Eat, Pray, Love* (Penguin paper), which has enjoyed 181 weeks on the lists since January 2007—about 85% of that time in the top ten of NYT—moved up from No. 10 in May to No. 3 in June. Also challenging Larsson's dominance of the upper ranks was Justin Halpern's memoir *Sh\*t My Dad Says* (HarperEntertainment), which moved from No. 19 in May to No. 4 in June after nine weeks on the lists.

The balance between fiction and nonfiction in the top ten remained at six fiction and four nonfiction, as it was in May. At the top 50, fiction accounted for 33 entries (down one from May), nonfiction 14 (the same as May) and children's 3 (up one from May). Fiction in the top 50 was divided between 12 hardcover, 10 paper and 11 mass market, similar to May, with one less hardcover. Nonfiction was split between 9 hardcover and 5 paper (8 and 6 last month).

The top ten in June averaged 39.5 weeks on the lists, up from 35.2 in May (which was double the previous three months). The top 50 averaged 33.0 weeks, up from 30.9 in May, and all 487 entries averaged 26.4 weeks, up from 24.9 in May.

### Authors, Imprints & Categories

Nine of the top ten authors returned from May; however, the slow turnover at the upper ranks is evidenced by five of the ten holding the same positions they had in May. Larsson easily remained well ahead of the others in rating (cumulative ranking expressed as a percentile), with 419.5, well ahead of Rick Riordan's 212.0. From there, the ratings descend fairly uniformly to 114.5 at No. 10. The top ten authors averaged 5.0 titles, up from 4.5 in May. All 368 authors averaged 1.3 titles, typical for most months.

There were 51 authors new to the lists in June, averaging 10.2 per week in the five-week period and slightly ahead of May's 9.8 per week average from 39 new authors. A year ago, June 2009 (a four-week period) saw 31 new authors, or 7.8 per week. Two of the new authors had entries in the top-50 titles: Justin Cronin (*The Passage*, Ballantine hardcover, No. 4 among new titles, No. 17 overall) and Tony Hsieh (*Delivering Happiness*, Grand Central hardcover, No. 5 among new titles, No. 20 overall).

Seven of the top ten imprints from May carried over to June with Grand Central staying at No. 1, boasting a rating of 507.8 from 17 titles. Vintage and Little Brown also kept their positions at No. 2 and 3, with ratings of 424.2 and 388.4—both closing the gap with Grand Central. Scribner moved up from No. 7 to 4, while three imprints moved down: HarperCollins (No. 4 to 5), Penguin (No. 5 to 8) and Hyperion (No. 6 to 9).

The top ten imprints in June averaged 13.5 editions of 12.9 titles, up from 12.0 editions of 11.6 titles in May and 11.2 editions of 10.7 titles in April. All 137 imprints averaged 3.0 editions of 3.0 titles, placing the month in between May (3.3 titles) and April (2.5 titles).

All but one of the top ten categories carried over from May to June as three held their place and six changed rank. Mystery & detective kept the No. 1 position for the third month, while biography & autobiography stayed at No. 3 and thrillers at No. 9.

Moving up were suspense (No. 5 to 2) and fantasy (No. 8 to 6) while falling were romance (No. 2 to 4), history (No. 4 to 5), movie or TV tie-in (No. 6 to 7) and family & relationships (No. 7 to 8). Humor slipped out of the top ten, moving from No. 10 to 11, while social issues, a children's category, moved into No. 10 from 12.

### **Category Review: Romance's Attraction Examined**

(*Book Publishing Report* – July 2010)

A category as widely diverse as romance cannot be easily pegged and analyzed without losing some of what makes the category so special to millions of consumers. This is perhaps the reason the category placed No. 2 among all others in 2009 by consolidated rankings across the weekly bestseller lists of *New York Times*, *USA Today* and *Publishers Weekly*, after hitting No. 1 in 2008.

Still, a look at romance's associated categories helps shed some light on the popular segment as suspense and history (historical) have alternated the top two spots for the past four years—ending 2009 with history at No. 1 and suspense at No. 2. In 2005, movie or TV tie-in claimed No. 1, followed by suspense and history. Fantasy has been No. 3 each of the last four years, up from No. 10 in 2005. Horror, associated with the increasingly popular vampire stories, first appeared in the top ten of associated categories at No. 5 in 2007 and 2008, then No. 4 in 2009.

Paranormal was the top subcategory in 2008 and 2009 and No. 3 in 2007. In 2009, it was represented by 60 editions of 58 titles by 34 authors. Vampires, which hit No. 1 in 2006, started at No. 5 in 2005, then rose to No. 3 in 2007 and 2008 before finishing 2009 at No. 2. Another subcategory, man-woman relationships, has increasingly been tagged to romance titles, perhaps to distinguish them from paranormal and vampire stories. It first appeared in the top ten at No. 5, stayed there in 2008, then rose to No. 3 in 2009. Other subcategories in the 2009 top ten were friendship, crime & criminals, regency, married people, Christmas, marriage and North Carolina.

#### **A Historical Glance: Romance in 2002**

Though separated by thousands of titles and many comings and goings, eight years ago, the romance category was not all that different. For instance, as in 2009, romance was No. 2 among all categories in 2002—the first full year recorded in our database. The similarities increase from there, even to the point that one of the titles currently on the bestseller lists in 2009 ended 2002 as the No. 8 title for the category. This was Nicholas Sparks' *Nights in Rodanthe* (Warner, hardcover), which spent 11 weeks on bestseller lists, and which was joined by two other titles from the author: the mass market editions of *A Walk to Remember* (Warner, No. 2, 42 weeks) and *A Bend in the Road* (Warner, No. 6, 14 weeks).

The titles were overshadowed by Jennifer Weiner's *Good in Bed* (Washington Square, paper), however, after it spent 36 weeks on bestseller lists to become No. 1. Nevertheless, it was Nora Roberts who won the show, sticking at No. 1 with 18 editions of 17 titles hitting the lists, including two within the top ten. However, Sparks did finish 2002 as the second highest ranking author, with five editions of four titles. These rankings were repeated in not only 2009, but the last five years.

#### **What's Selling Now**

Over the past four quarters, 441 editions of 431 titles identified with the romance category appeared on the three lists. These came from 225 authors under 56 imprints, published between August 1994 and June 2010. A total of 399 new ISBNs appeared on the lists (91% of the total), 37 of which were new editions of previous bestsellers.

Over the past five years, there has been an average of 33.4 romance entries on the lists each month. In 2009 romance entries averaged 54.8, making it the high year, just edging out 2008 (54.6), with the low at 37.0 in 2005. The highest single month over the five years was 72 in April 2009. Six months had more than 60 entries: February and September 2009, May and October 2008, and August and October 2007. The lowest month in the five years was December 2005, with 23 entries. Three other months were also below 30: February 2005, January and December 2006.

Leading romance in the past four quarters was the mass market edition of Spark's *Dear John* (Grand Central), with a rating (cumulative ranking expressed as a percentile) of 44.3, well above his own second-ranked *The Lucky One* (Grand Central, paper) at 21.1. The paper edition of *Dear John* also made the top ten, at No. 6. In all, the title appeared 95 weeks over the 193 week period from late October 2006 through the end of this report in June 2010. As we have previously pointed out, the simultaneous release of paper and mass market editions is a new phenomenon, related both to movie tie-ins and the breakdown of NYT paper fiction into separate lists for trade paper and mass market.

Stephenie Meyer also had two editions of one title, *The Host*, in the romance top ten for the past four quarters. The hardcover edition (Little Brown, hardcover) was No. 8, with a total of 89 weeks from May 2008 to January 2010 while at No. 9 was the paper reprint published in April (Back Bay), which was still on the lists at the end of the quarter after 12 weeks. That added up to 33 weeks in the past four quarters and 101 weeks total since May 2008. The remaining top ten entries were either new titles or reprints of previous bestsellers.

Of the 441 romance ISBNs that appeared in the past four quarters, 399 (90.5%) were new. Of those, 361 (81.9%) were new titles and 38 (8.6%) were new editions of previous bestsellers. Seven of the top ten titles were new, as were 22 of the top 25 and 45 of the top 50.

The top ten entries averaged 31.5 weeks, the top 50 averaged 15.3 weeks and all 441 entries averaged 4.6 weeks. Over five years, the top ten averaged 54.9 weeks, the top ten% (162 entries) averaged 13.9 weeks and all 1,629 entries averaged 4.2 weeks.

As already mentioned in the 2002 historical glance, of the 225 romance authors in the past four quarters, Roberts was No. 1, with 21 editions of 20 titles, and easily beheld the title of most prolific romance author. In contrast, Sparks, in No. 2, had 4 editions of 2 titles. Back to the prolific, Debbie Macomber in No. 3 had 18 titles over the four quarters. The high turnover in romance means that it is difficult for new authors to break into the upper ranks. There were no new authors in the top 50.

The top ten romance authors for the past four quarters averaged 8.1 editions of 7.6 titles, the top 50 averaged 3.9 editions of 3.8 titles and all 255 authors averaged 2.0 editions of 1.9 titles. Over five years, the average increases to 27.6 editions of 22.9 titles for the top ten, 14.1 editions of 11.7 titles for the top 50 and 4.5 editions of 4.0 titles for all 359 authors.

Mira was the top imprint by consolidated ranking over the past four quarters, with a rating of 110.9 from 44 editions of 43 titles. Grand Central was second, with a rating of 83.6 from 7 editions of 5 titles, followed by Avon (36), Berkley (18), Pocket (26), HQN (26-25), Jove (15), Zebra (21) and Dell (14). The top ten for the past four quarters averaged 23.9 editions of 23.5 titles while all 56 averaged 7.9 editions of 7.8 titles. Over five years, the top ten moves up to an average of 95.4 editions of 90.6 titles, the top 50 averaged 31.1 editions of 29.6 titles and all 87 imprints averaged 18.7 editions of 17.9 titles.

## Work In Progress: Booksellers Reporting Children's/YA Trends

(*Book Publishing Report* – July 2010)

Gearing up for *BPR's* annual Children's/YA publishing special issue (to be published around the same time as *Children's Publishing Market Forecast* later this year), Simba put a new survey into the field this week aimed at independent booksellers around the country.

One of the key areas of focus is on trends dealing with the divide between children's and young adult titles themselves. For years, Stephenie Meyer has kept the latter category riding high, but with no new *Twilight* novels on the horizon (though the *Eclipse* movie currently in theaters will bring up sales of at least the tie-in book), we're interested in seeing if the growth of YA is slowing.

So far, we're not seeing it: when asked to describe the behavior of the children's business versus the young adult business at their stores, the data gathered so far suggests children's is growing but YA is growing faster (selected by about a third of respondents thus far). The rest of the numbers run the gamut but about one in ten booksellers right now are reporting both the children's business and the YA business at their stores are down this year.

As with the last two years Simba has engaged in this project, we're also asking booksellers to rate different formats (hardcover, paperback, graphic novel, picture, etc.) to see what's been weaker and what's been stronger, as well as info on who is actually buying the books. We're also once again seeing how bookstore traffic trends by gender compare with other intelligence we've gathered about reading habits, but right now the data is still coming in.

## INDUSTRY UPDATE – CATALOG / RETAIL

### Brands Bet on iPad Catalogs to Expand E-commerce Reach

(*Advertising Age* – July 12, 2010)

Forget click-to-buy online strategies. The Apple iPad is ushering in swipe-to-buy.

Its visually oriented touch screen is already being used by retailers such as eBay, Amazon, Gap, and Gilt Groupe with commerce apps that take specific advantage of the form factor. But that's likely just the beginning.

"The iPhone strategy [for commerce] has been about browsing and store locating with efforts focused on driving people to the stores. But the iPad strategy is much more about purchasing on the device," said Raven Zachary, president of iOS agency Small Society.

So while magazine reading and entertainment viewing are getting the early consumer buzz on the iPad, the real play for brands may be as an e-commerce platform. Commerce and on-the-go buying has been successful on the iPhone, but the small screen size and limited visuals have shortchanged many efforts. The iPad brings the capability for better graphics and video, a touch screen for an experience more akin to catalog shopping, social networking, an easier way to swipe or touch to buy, and even cost saving and green appeal with the use of less paper for weekly flyers and catalogs.

"The iPhone was the first shot," said Ray Grady, exec VP at Acquity Group consultancy. "It changed the retail paradigm and showed retailers how to deal with smartphones initially. The iPad is a different flavor of the same dish ... but what we're seeing is that there are more actual transactions on the iPad than the iPhone."



**Natural fit**

Catalogs are a seemingly natural fit for iPad. Well-designed print catalogs are browsed, read and shared just like magazines, so why shouldn't the venerable Sears catalog become a touchable e-catalog on the iPad? Sears was vague but indicated it might consider it. Imran Jooma, senior VP-ecommerce, wrote in an e-mail interview, "Sears is a leader in virtual catalogs, such as last years' digital Wish book. The point is to give the customer the choices that utilize these emerging technologies ... their adoption and valuable feedback will determine much of the direction for the future." He added that Sears is already dedicated to mobile commerce, and offers more mobile apps than many of its retail competitors.

Digital publisher Dixion is working on digital catalogs built for the iPad with the first group coming next month. Brad Gorman, mobile and iPad manager, said the company has got plenty of retailers who aren't just interested, but are "begging to be in the beta test."

"The internet allows for great shopping tools to find the best prices or get reviews, but it's missing the pizzazz -- the reason why we want something in the first place," said Brad Spirison, managing editor of Applicious. "With the iPad, now you can have great content combined with a great pathway to e-commerce all on one device. That's a game-changer."

Indeed, it's the move closer to the sale that is especially appealing to retailers and brands. As econsultancy.com editor Graham Charlton said, "Anything that reduces the friction between a product being seen and acting on it will increase sales."

Indeed, a "fashion brand told me that 70% of the people who come to their website have received a catalog. They probably get the catalog, sit on the couch and read it, figure out what they want to buy and then walk over to the computer to log onto the site," said Benjamin Palmer, CEO of Barbarian Group. "The iPad could change that."

**Numbers booster**

Gilt Groupe, an online high-end fashion brand whose hook is exclusive 36-hour sales that begin every day at noon, launched its iPad app at the same time as the device and has seen that come true. The number of user visits increased; the times of the day they visit have diversified; and Gilt has tracked a 25%-plus increase in revenue per user connected directly to its iPad app.

"Our iPhone app helped people transact quickly at noon when they needed to, but the iPad app is different, it's more about sitting and browsing and researching," said Carl Sparks, president and CMO at Gilt. "It was liberating to build something completely new -- throw out the mouse and throw out the keyboard and start over with the way users want to interact with products and images."

Gap, along with agency AKQA, created the Gap 1969 Stream app, a "shopping experience built just for iPad," for Gap's 1969 denim line. It has celebrities, designer tips, music, videos and mix-and-match modeling, all touch and swipe -- and all tagged for one-tap buying.

Five of the current top 10 free iPad apps are shopping-themed: eBay, Amazon Mobile, Zillow and two Craigslist apps. And three of the other 10 apps -- two recipes and one home decor -- include shopping features and functions. (The remaining apps are media: HGTVtoGo and *Reader's Digest* magazine.)

But brands interested in commerce on the iPad should be willing to design and optimize for the device. "Don't half-ass it out of the gate and give the customer a terrible experience," warned Mr. Grady.

Pottery Barn, for instance, has been criticized by reviewers online and in the app store for its catalog app that doesn't live up visually to its real-world catalog, needing an account to log in to read it, and the inability to buy through the app.

## **Exclusively Weddings Spruces Up Catalog**

(*MediaPost* – July 6, 2010)

Exclusively Weddings is putting its best face forward this fall with a catalog redo. The wedding accessories merchant refreshed its 100-page fall edition with a new design template to improve the ease of shopping.

For instance, says Linh Calhoun, senior vice president of e-commerce at Exclusively Weddings' parent company Pace Communications, the cataloger has added icons such as "new," "great value" and "free personalization," and it includes more references to the Website.

The catalog now uses stronger callouts for top-selling products, and it better highlights how Exclusively Weddings as a resource for a brides-to-be's invitations, favors, wedding accessories and gifts. The print book works harder to promote the company's expanded assortment available online.

The print/Web synergy is important: Calhoun notes that the book's new look "better aligns with our Website, which was updated in October 2009."

As for new products, Exclusively Weddings now includes wedding invitations designed by tastemakers Kate Spade and Martha Stewart, along with personalized flip-flops for the wedding party. Exclusively Weddings is also selling new lines of personalized glass votives, vases and flutes, season/themed favors and a customized cake top in six designs.

Exclusively Weddings produces two catalogs per year: a spring book that mails in January and a fall edition that drops in late June. The cataloger's annual circulation ranges from 1.2 million to 1.5 million, Calhoun says.

## **Consumers Are Buying More at Full Price**

(*Internet Retailer* – July 9, 2010)

For online retailers in June, sales of full-priced items were up 19.1%, according to the MyBuys E-commerce Wellness Index. This drove the health of the Internet retailing industry up 2.7%, according to the index, a monthly measure based on data from the e-retailer clients of MyBuys Inc., a vendor of product recommendation technology that serves more than 150 web merchants. The study covers MyBuys clients that were active both in June 2010 and June 2009.

Sales of discounted items decreased 26.6% during the month and accounted for an average of 14% of total orders, down from 46% in June 2009. The average depth of discount remains roughly 27%. Total revenue in June 2010 decreased 7.5% compared to the same period one year ago.

The index seeks to measure the health of e-retailing by aggregating total sales, non-promoted sales, discounted sales performance, depth of discounts and average order value. The overall June result for the MyBuys E-Commerce Wellness Index score—a composite of all the percentage changes—came in at an increase of 2.7%, down from a 20% increase in April.

"Although total online revenue is down, the index provides unique insight into the positive health of the industry," says Robert Cell, CEO of MyBuys. "Retailers have been successful at executing strategies to increase purchases at full price while reducing their reliance on discounting strategies."

The June 2010 index also demonstrates the power of personalization, the index shows, as retailers saw a 17.1% increase in average order values for personalized transactions compared to sales without personalization.

## Staples Rings the "First Bell" of the 2010 Back-to-School Shopping Season

(Yahoo! Finance – July 14, 2010)

Staples, the world's largest office products company and a top retail destination for back to school, declared July 14 as the official first day of the 2010 back-to-school shopping season. For the third consecutive year, the company opened the NASDAQ market with the "first bell" to remind parents and students that stores are fully stocked with a wide assortment of the newest supplies and technologies at great prices.

"Staples has more than two decades of back-to-school experience, and we are committed to making it easy for parents and students to find the right product at the right price," said Demos Parneros, president of U.S. Retail for Staples, Inc. "Each year, Staples kicks off the season to provide customers an official start date for back-to-school shopping and a clear roadmap for savings throughout the season."

According to the 2010 Staples Back-to-School Survey, fielded through the BlogHer publishing network of moms, the plurality of respondents identify themselves as "Deal Divas" (42 percent) who focus on finding sales and the best deals. In addition, the vast majority (78 percent) said they would not give up anything to have someone else do their back-to-school shopping because they enjoy doing it themselves.

Staples is making it easy for customers to save on back-to-school shopping by reducing prices on hundreds of core items, offering increased savings with Staples Brand products such as the BETTER Binder and Accel notebooks, and providing a one-stop shop and stress-free experience all season long. In addition, the company has several new ways to save for the 2010 back-to-school season, including:

- More weekly circular coupons that allow customers to save on products storewide or within select categories.
- Increased volume and frequency of "hot buy" penny and dollar deals; for example, all week, through Saturday, July 17, Staples is offering 12 items for \$1 each, such as Scotch tape, select pencil boxes and glue sticks.
- New laptop/software bundles offers that allow customers to save big on technology.

With technology becoming a staple on school supply lists, Staples is also offering more savings and new tech solutions to keep students connected in the upcoming school year, including:

- The new no-risk "Extended Service Plan" available in most stores helps parents feel secure about purchasing a laptop from Staples. This easy and worry-free option includes technical support and protection that is perfect for students. If the plan is never used over the term of the agreement, customers can get reimbursed for 100 percent of the plan's cost. (some restrictions apply in select states)
- Staples' computer trade-in option gives customers upgrading a qualifying computer a \$50 credit toward the purchase of a brand new laptop (regularly priced \$599 or more) and recycles the old computer for free. Staples is proud to carry a full range of laptops and desktops from the leading brands such as HP and Dell to address the needs of students and help them find the right computer at the right price.
- A vast selection of tech gear and accessories at great prices from fun calculators and flash drives to portable MP3 players and speakers. Even traditional back-to-school products are proving that tech is the new "must-have" school supply. Whether it's a backpack, laptop sleeve, or pencil pouch, students can find a wide assortment of products to tote their tech tools at Staples this back-to-school season.
- The Staples EasyTech Free PC Tune-Up provides peace of mind about the health of students' computers. Certified in-store technicians will clean out system clutter, optimize platform Windows performance, organize hard drive files, identify security vulnerabilities, and assess memory and performance. Staples EasyTechs can also keep computers running throughout the school year regardless of where they were purchased.

"First Bell" also signifies the start of the Staples Do Something 101 School Supply Drive. Now through Sept. 18, Staples and Do Something.org, with the help from Twilight star, Nikki Reed, are encouraging teens to collect school supplies for disadvantaged youth and drop them off at their nearest Staples store. Staples customers can also get involved by donating supplies or \$1 at any Staples store, or through a new text-to-donate campaign. When parents text NOTEBOOK to 20222, they will be donating \$5 directly to the Do Something 101 campaign. Funds raised will be dispersed to the beneficiary organizations already matched to Staples stores.



Also new for 2010, Do Something 101 is adding even more celebrity power with the Give-Back Pack, a grassroots and online program where music artists Jason Derulo, Kellie Pickler and Drake Bell are encouraging teens to get involved in the cause. Teens can go online to [www.staplesgivebackpack.com](http://www.staplesgivebackpack.com) and pick Jason, Kellie or Drake as their pack leader and gain access to the artist's exclusive content and tips for planning their own Do Something 101 drives. With every member who joins their pack, the celebrities will donate \$1 to Do Something 101, up to \$5,000 per pack. At the end of the program, select winners will have a chance to meet their pack leader and receive autographed merchandise.

### **Navarro Discount Pharmacies Unveils Revamped Flagship Store**

*(Drug Store News – July 9, 2010)*

The largest Hispanic-owned pharmacy chain recently reopened its renovated flagship store.

Navarro Discount Pharmacies said the store -- located on SW 8th Street in Miami -- opened in 1961 as El Nacional Drug Store. Hundreds of customers attended the reopening, held June 24, along with City of Miami Mayor Tomas Regalado and the entire City of Miami Commission, local business owners and residents.

The renovation of the 10,000-sq.-ft. store includes a new merchandise layout, new colors, enhanced signage and such improved services for customers as a pediatric pharmacy for busy parents, free compounding pharmacy services, a free Diabetes Club for adults and children with diabetes and free prescription delivery for all customers.

Other stores in the Miami chain will undergo the same renovations and enhanced services, Navarro said.

### **Kraft Foods Continues Innovation with Launch of New App Exclusive to iPad**

*(Internet Retailer – July 8, 2010)*

Kraft Foods today announced the release of the new *Big Fork Little Fork* app, now available in the United States only on iPad. *Big Fork Little Fork* provides parents with an interactive resource to help them teach their children valuable cooking knowledge, smart eating habits and basic kitchen skills. The app features 300 delicious recipes, how-to videos, entertaining and educational games, and interactive elements to help transform the way parents involve their kids at mealtime. Following the 2008 launch of the *iFood Assistant* app, this new iPad app demonstrates Kraft Foods' ability and commitment to leveraging new technology to engage consumers in innovative ways, making their lives easier and more delicious.

"Kraft Foods understands that parents are hungry for food ideas that their kids will enjoy," said Ed Kaczmarek, Director of Innovation, Consumer Experiences at Kraft Foods. "Our *Big Fork Little Fork* app is specifically designed to answer that need and is set to transform how families approach cooking and eating together. We see the iPad as the ideal device to host our newly developed content – it's a highly interactive way for parents to engage with the app both in the kitchen and around the home."

According to a recent study, last year alone, 37 million Web searches were conducted for family and kids' food-related resources<sup>1</sup> – yet no dominant source exists for this type of information. The *Big Fork Little Fork* app will help make mealtimes a teaching occasion, a fun experience and a bonding moment while keeping kids engaged and entertained.

*Big Fork Little Fork* builds on Kraft Foods' longstanding relationship with Meredith Integrated Marketing (MIM), Meredith Corporation's business-to-business unit that provides leading corporations and brands with custom marketing solutions. Developed in conjunction with MIM partner agency and mobile marketing leader The Hyperfactory, the app brings new mealtime ideas and entertaining content to parents' fingertips.

“*Big Fork Little Fork* is one of the most groundbreaking experiences to have been unleashed on the iPad,” says Derek Handley Co-Founder and CEO, The Hyperfactory. “It illustrates the creativity with which this device can change the game for brands wanting to innovate how they interact with consumers.”

Kraft Foods will continue to grow the content available for the *Big Fork Little Fork* app. Starting this fall, Kraft Foods will partner with a select group of celebrity chefs to develop chef-branded content packs available for download through in-app purchase. Marcus Samuelsson, winner of Top Chef Masters, will be the first featured chef showcasing his recipes, tips and photos, and bringing his global perspective of food and flavors to *Big Fork Little Fork*.

The *Big Fork Little Fork* iPad app is available for \$1.99 from the App Store at [www.itunes.com/appstore](http://www.itunes.com/appstore). For more information and a video tutorial, visit [www.BigForkLittleFork.com](http://www.BigForkLittleFork.com).

## INDUSTRY UPDATE – DIRECT MARKETING

### **Six Tips to Keep Your Direct Mail Out of the Trash**

(*Directmag* – July 14, 2010)

When one is in the thick of producing a direct mail campaign, it’s easy to overlook some of the basic elements that are integral to success. So you might want to keep these six quick tips close by as a reminder.

- 1) Select the right list. A crummy mail campaign sent to a good list can make money, but even brilliant mail sent to a bad list will fail every time.
- 2) Update your list. According to NCOALink, at least 15% of the average list becomes outdated every year.
- 3) Go bold. Choose a clear, bold headline and a color that pops for maximum notice.
- 4) Watch out for muletas. Muletas are the little red cloths that bullfighters use to distract the bull. As a marketer, you need to look for anything in your piece that will distract potential customers from your offer, message, or product.
- 5) Present a call to action and an offer. One of biggest mistakes is burying (or not including) a call to action. Tell your prospect exactly what you want him to do.
- 6) Be consistent and commit. Consumers rarely get multiple pieces from a business. Hit your prospects with different communications about the same thing, or with different products with the same look or feel, or both. This sort of persistence reinforces your presence and adds credibility to your brand.

### **Sassy Selects Crossbow as Direct/Social AOR**

(*DM News* – July 15, 2010)

Sassy Inc., makers of infant toys and other products, has named Crossbow Group its agency of record for direct marketing and social media.

The relationship, announced July 15, took effect last month but the two companies are still in the planning stages, said Jay Bower, president and CEO of Crossbow Group. Financial terms of the deal were not disclosed.

“A lot of the work involves sampling among influencers through social media,” he said. “We’re laying groundwork for products launching late this year and early next year.”

Crossbow won the business after an RFP process that took just over a month, Bower said. Work will focus on social media, e-mail and mobile, with little work to be done with traditional media.

Sassy, one of four subsidiaries of parent company Kid Brands Inc., markets to mothers in need of infant toys, bath and feeding products, in a highly competitive industry.

“There is enormous competition in the sector from large, well-funded competitors,” Bower said. “At the end of the day, there are lots of choices and information for moms. The biggest challenge is breaking through the clutter, especially when new moms make decisions right after, and not before, their child is born. Getting them to shake free of those brand bonds can be difficult.”

A Sassy representative could not be reached by press time.

### **JCPenney Boosts Mobile Efforts for 2010 Back-to-School Campaign**

(DM News – July 15, 2010)

JCPenney has ramped up its mobile efforts for its 2010 back-to-school campaign. This week, the retailer launched its integrated marketing campaign, “New Look. New Year. Who Knew!” in an effort that utilizes various social and mobile components.

While JCPenney has created mobile sites in the past, it added several new features this year.

Its mobile hub will include the company's back-to-school TV spot, an opportunity to opt in and receive weekly texts on the latest back-to-school clothes, the means to view styles — and allow users to upload their own look, a program that can be voted on and shared with friends.

“Our mobile marketing initiatives allow us to reach teens where they are, and provide them an opportunity to opt in and experience an array of exciting, media-rich, interactive content that allows them to explore and discover the JCPenney brand,” said Kate Coultas, a JCPenney PR brand manager.

JCPenney print ads appearing in *Teen Vogue*, *Seventeen* and *People StyleWatch*, will also include a special call to action, asking readers to text the word “LOOK” to the number 527365. Teens will then receive a text linking them back to JCPenney's back-to-school mobile WAP site.

Additionally, JCPenney's iAd will launch August 4, said Coultas.

When iPhone and iPod customers open an application, a scrolling JCPenney Teen banner ad will appear at the bottom of the screen inviting users to interact. Coultas said the company is targeting music, entertainment and lifestyle applications for the effort.

After the user touches the banner, a JCPenney fashion photo will fill the screen, mimicking a Polaroid photo image that develops as the application loads.

Teens can then interact with several other features. These include a style mixer for scrolling mix and match outfit combinations, a store locator feature and the ability to download the new JCPenney Teen iPhone or iPod Touch application to their device, rather than directing the user to the iTunes store, said Coultas.

The overall campaign, which straddles in-store, print, TV, online, social media and mobile, was created with Saatchi & Saatchi New York and Razorfish.

## INDUSTRY UPDATE – MAGAZINE

### **Oprah Magazine's iPad Edition Will Sell and Display E-Books**

(Advertising Age — July 14, 2010)

Hearst Magazines sold more than 12,000 downloads of its *Popular Mechanics* iPad edition since its release on July 8 and is gearing up to release many more apps this year, including app editions of *Esquire*; *Marie Claire*; *O, The Oprah Magazine*; *Food Network Magazine*; *Cosmopolitan* and *Harper's Bazaar*. It's also working on many apps that extend its magazines' brands but aren't versions of regular issues, according to Hearst executives.

*Esquire's* iPad app edition is expected to be available starting with the September issue, on sale in August, and will be "more ambitious" than the iPhone edition that's already available, according to Chris Wilkes, VP-audience development and digital editions. Regular editorial sections will get reusable templates, but features will get a custom approach each month; sharing tools will become more prominent; in-app search will pull up content not just from *Esquire* but also sites such as Flickr and Wikipedia; and a live feed from the *Esquire* website will be integrated in "a much tighter way," he said. The app will arrive offering subscriptions, not just the single-copy sales that have predominated among magazine iPad editions so far.

#### **Getting into e-book business**

Capitalizing on Oprah Winfrey's huge role recommending books to her fans, the iPad edition of *O, The Oprah Magazine*, that's expected in the fourth quarter will let users buy e-books and read them within the app itself. The app preserve the basic magazine experience but include visual tags that let users know they can see a video message from Ms. Winfrey or interact in some other way. A module on articles will let users make comments and see other readers' remarks.

Although the *Popular Mechanics* app debuted at \$1.99 -- lower than the \$3.99 print cover price because the first iteration doesn't include the print issue's entire contents -- Hearst expects to charge print cover prices or more for its iPad magazine apps.

While some of the magazine iPad editions will hew more closely to printed page than others, Hearst sees a lot more potential in iPad advertising than just reproducing and enhancing print ad pages. Including every element as it appears in print would allow Hearst to count sales toward the paid circulation guarantee it gives print advertisers, but the company has begun to believe that once enough consumers own tablet computers, targeted and tailored advertising will be much more important.

#### **Scale will drive targeting**

"When you get a large enough install base, this is going to be all about targeted advertising," said John Loughlin, general manager and exec VP.

Hearst is already seeing its digital ad rates increase steadily, partly because of its ability to serve ads to visitors based on their behavior and demographics. Excluding its remnant ad space, the unsold inventory that publishers typically fill by turning to cut-rate ad networks, Hearst's online ad rates have grown over the past three years and have increased 15% so far this year compared with the same period in 2009. That's not just the prices that Hearst quotes to advertisers, Mr. Loughlin said, but the actual rates Hearst has been able to collect.

#### **The other development track**

Some of Hearst's forthcoming iPad apps won't, however, be monthly versions of regular issues. These "standalone experience" apps, which will be available for iPads and iPhones, will include a one-shot called *House Beautiful* Favorite Colors that, like the print bookazine with the same purpose, will serve as a massive encyclopedia of paint colors. The app, which is likely to cost \$9.99, will let consumers browse by color groups, brands, rooms or even according to the results of a personality quiz. "It might be that *House Beautiful* puts a lot more of its time and energy into apps like this," Mr. Wilkes said.

*Marie Clarie's* Fall Fashion A-to-Z app, planned for a September release, will comprise a giant "wallpaper" of images in which users can zoom in for video, games, slideshows, product information or Facebook and Twitter options.

And *Redbook's* free One Stop Shop app will let users locate stores that carry featured items and check those stores' inventory for them.

*Esquire* is also planning a Hardest Puzzle Ever app, to coincide with its December "Genius" issue, that will include the issue's difficult puzzles and let users share their progress using Facebook and Twitter. And *Good Housekeeping* is developing an app called Drop Five Pounds, based on a section within the magazine but not repurposing magazine content. The app will comprise a set of tools, such as a weigh-loss goal calculator, quizzes, videos and even a feature meant to show users how they would look if they were five pounds lighter.

Hearst already sells electronic versions of its magazines on Zinio that include every edit page and ad page.

## **Virgin Plans New Magazine as iPad App if Advertisers Sign Up**

*(Advertising Age — July 15, 2010)*

Virgin is planning to extend its brand into consumer magazines with the launch of a new title, *Maverick*, which will be available as an app for the iPad, iPhone and eventually, Android.

Virgin's billionaire founder Richard Branson has brought in his 28-year-old daughter Holly to work as the family's ambassador for the magazine, and she is leading the push to sign up a handful of select premium advertisers to work as "brand partners" on the project. Ms. Branson finished medical school but left her residency two years ago to join the family business.

According to insiders, Virgin is making the move in response to the opportunities presented by the iPad and other digital media. Major publishers, the company believes, have their hands tied because they can't charge less for an app than they do for the print version of their established magazines.

By launching an app-only title, Virgin is freed up to exploit the creative potential of the medium without the costs of an existing print title to maintain.

A launch is planned for October, but the project is still at an early stage and will only go ahead once enough premium brands have signed up. An executive close to the matter claimed that advertiser response has been positive and that *Maverick* will be able to choose which brands it signs up for the first batch of six-month contracts.

*Maverick* will aim to encapsulate the spirit of the Virgin brand by focusing on entrepreneurial endeavors and highlighting new creative, business, travel and technology ideas, targeting an upscale international audience. However, it's not meant to be a promotional tool for Virgin's stable of products, which include an airline, holidays, gyms, financial services, trains and a wine club as well as media, TV, broadband and phone services.

If the venture is successful, Virgin hopes to establish itself as a leader in digital magazines. The company already publishes a number of customer titles such as in-flight magazine *Seatback*, and *Hotline*, distributed on Virgin's trains, which are outsourced to contract publishing companies.

*Maverick* is a 50-50 joint venture with publishing company Seven Squared. The magazine's creative input will be handled by AI, a consultancy led by Anthony Noguera, the former editorial director of German magazine publisher Bauer's men's lifestyle titles, which include *FHM* and *Zoo*.



Virgin believes it has identified a market that is underserved and overpriced, and that it can provide a groundbreaking product for the iPad and mobile phones. An executive close to the project predicted, "More than eight million people will own iPads by the end of the year. It's the fastest-selling gadget ever and it's the most exciting thing to happen to the magazine market in a long time, but no one has yet got it right."

### **Hearst Launches Pro-Magazine Readership Campaign**

(*Mediaweek* — July 13, 2010)

With advertisers fleeing print a year ago, executives at Hearst Magazines went on a road show to establish its titles as smart places to advertise, with new ad formats and technological advantages.

With its next big campaign, Hearst is going on the attack against another industry bugaboo: the perception that magazines have a readership problem.

"The message we want to get out there is, in a world of free content, consumers spent \$13 billion a year on magazines," said Michael Clinton, president and publishing director for Hearst Magazines. "Consumers continue to pay money buying their favorite magazines, and they read them and respond to them. Our point [to] marketers is, you've got to listen to where the consumer is."

Clinton pointed to Hearst's fast-growing *Food Network Magazine* as evidence of the medium's strength. "We go out with the *Food Network Magazine* launch, and we will, in the first half of this year, deliver 1.4 million copies," he said.

Hearst plans to start taking its message on the road in the fall. While Hearst commissioned the study on its own, the presentation will be company-neutral, Clinton said.

GfK MRI's latest audience survey showed that adult print readership rose nearly 1 percent in spring 2010 versus spring 2009 and nearly 0.5 percent since MRI's fall report.

But those numbers are undermined by the continued drumbeat of sharply declining ad pages and magazine closures.

"We have to answer a lot of questions about whether it's a dying medium," said Jeff Fischer, senior vp, managing director, print activation group, Universal McCann. "In some cases, magazines have become a risk rather than a safe place to be."

Magazines also may be caught up in a halo effect of newspapers, which are more at risk of losing print readers to online news sources, especially big-city ones. So while readership of the top 100 dailies has been stable, the top 10 dailies' readership declined 4.2 percent in the past year, according to the spring MRI report.

Buyers agreed magazines have a perception problem, if they offered different views on how it should be combated.

Fischer called on magazines to show how they're evolving to address changing consumer behavior and getting closer to a proof-of-performance measurement for advertisers.

Robin Steinberg, svp, director of print investment and activation, MediaVest, said trying to dispel the perception that audiences are declining is a step in the right direction. However, she added that part of the perception problem magazines face stems from the fact that many publishing companies still take a siloed approach to selling their content.

"We need to change the way we go to market," she said.

Bruised by the recession, the industry has been more vocal of late in promoting itself. Hearst, along with Condé Nast, Meredith, Time Inc. and Wenner Media recently teamed up to back a big print campaign promoting the medium as vital to readers. For the campaign, titled *The Power of Print*, the participating companies agreed to give up prominent space in their magazines to run the ads. The campaign kicked off in April and was expected to run over seven months.

### **PIB: Magazines Show Growth in Pages, Ad Revenue**

(*Mediaweek* — July 12, 2010)

Finally, some good news for magazine publishers. For the first time in nine quarters, pages and rate-card reported ad revenue increased in the second quarter of 2010 versus the year-ago period, per Publishers Information Bureau.

Second-quarter revenue rose 5.7 percent to \$5.2 billion while ad pages crept up 0.8 percent, to 43,427—an improvement over the first quarter, when revenue declined 3.9 percent and pages, 9.4 percent.

“Magazines are benefiting from what appears to be an advertising economic lift during the second half,” said Nina Link, president and CEO, Magazine Publishers of America, which administers PIB.

Revenue and pages grew in six of magazines’ 12 major ad categories: auto, financial, toiletries/cosmetics, home furnishings, technology and food. This is the first time since 2007 that auto advertising posted double-digit increases in pages (28 percent) and revenue (up 41 percent), MPA noted.

MPA said 130 magazines posted page gains, compared with 15 in the year-ago quarter. Among them were *ESPN The Magazine* (up 42.9 percent), *Real Simple* (up 35.5 percent), *The Atlantic* (up 35 percent) and *Fast Company* (up 31.4 percent).

Many titles are still experiencing declines, though. Among them are *Coastal Living* (down 15.7 percent), *Country Living* (down 21.4 percent), *Islands* (down 17.1 percent) and *Food & Wine* (down 13 percent).

The gains also weren’t enough to bring ad pages into positive territory for the first half. For the first six months of the year, revenue rose 1.2 percent but ad pages dipped 4 percent.

The positive momentum seems to be building this summer, though, validating publishers’ optimism about the industry’s prospects. Magazines’ most recent issue (for most monthlies, that’s July) showed an average 10.8 percent year-over-year gain, per the *Mediaweek Monitor*.

The good news may be short-lived, though. Talk of a double-dip recession and slowing consumer spending raise questions about how deep advertisers will dip into their wallets in the fourth-quarter, a significant ad-revenue period for many magazines.

### **ABC to Provide Audited Mobile Usage Stats for Handmark Users**

(*Audience Development* — July 13, 2010)

The Audit Bureau of Circulations’ interactive unit, ABCi, is partnering with mobile firm Handmark to provide audited mobile usage statistics for publishers and their advertisers. As a result, publishers that use Handmark’s apps will be able to include audited mobile app usage statistics on their publisher’s statements, consolidated media reports, and interactive audit reports.

“The burgeoning mobile market, paired with promising mobile advertising forecasts expected to top \$3.3 billion by 2013, present a strategic opportunity for the publishing and advertising industries,” ABC president and managing director Michael Lavery says in a statement announcing the partnership.

Handmark’s Mobile Publishing Platform powers mobile applications for media companies across platforms, including iPhone, BlackBerry, Android, as well e-readers and other tablet devices like the iPad.

### **MB Media, Scranton Gillette Form Partnership to Operate Former Reed Construction Titles**

*(BtoB Media Business — July 13, 2010)*

MB Media, the company formed to acquire *Construction Equipment* and other construction titles from Reed Business Information in May, announced last week that it has formed a limited liability corporation with Scranton Gillette Communications to operate the properties. SGC publishes *Roads & Bridges* as well as other titles. Although MB Media participated in informal talks with Cygnus Business Media, Hanley Wood and other b-to-b media companies, the recently formed company had previously said it had enough capital to go it alone without a sale to an established company. The deal with Scranton Gillette indicates that MB Media opted for the stability of an established company and against the creation of its own back-office capabilities, including a digital presence, from scratch.

“SGC’s long history of financial stability, the ability to build an entrepreneurial division within SGC and the robust capabilities of the company made it a natural choice for the MB Media construction group brands,” MB Media CEO Tony Mancini said in a statement.

Mancini and MB Media President Rick Blesi will maintain an equity stake in the properties. Mancini and Blesi were publishing executives at RBI’s Reed Construction Media before acquiring the properties two months ago.

“We are enthusiastic about this opportunity to expand our service to construction professionals,” Scranton Gillette President-CEO Edward Gillette said in a statement.

“Ed and his team at SGC listened to our vision,” Blesi said. “We leverage great people and infrastructure, but control the destiny of the brands.”

The new LLC includes the following properties: *Building Design+Construction*, *Construction Bulletin*, *Construction Equipment*, *Custom Builder*, *Housing Giants*, *Professional Builder*, *Professional Remodeler*, *SpecCheck*, [www.BDCnetwork.com](http://www.BDCnetwork.com), [www.ConstructionEquipment.com](http://www.ConstructionEquipment.com), [www.HousingZone.com](http://www.HousingZone.com), [www.LogInAndLearn.com](http://www.LogInAndLearn.com) and [www.VisibleCity.com](http://www.VisibleCity.com).