

WEEKLY INDUSTRY UPDATE

 September 26th, 2011

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ECONOMIC UPDATE

GDP: 1.3% in Q2 2011

Unemployment Rate: unemployment rate was little changed at 9.1%

Consumer Confidence: The Index now stands at 44.5 (1985=100), down from 59.2

BOOK INDUSTRY NEWS
Judge Puts Brakes on Borders IP Sale

(Publishers Weekly – 9/21/2011)

Original Link: <http://www.publishersweekly.com/pw/by-topic/industry-news/bookselling/article/48804-judge-puts-brakes-on-borders-ip-sale.html>

Although Barnes & Noble was the winning bidder for the intellectual property assets of long-time competitor Borders, getting them, particularly by the September 30 deadline, is turning out to be a lot harder than the 9-hour auction. In part because of privacy issues raised by consumer privacy ombudsman Michael St. Patrick Baxter in his report, judge Martin Glenn opened Thursday afternoon's hearing saying, "We can proceed. But don't expect that you can get a result."

The sticking point involves changes in privacy law that took place in May 2008 and whether Borders can actually sell those 45 million customer names and information about their purchases. From the judge's perspective even if he were to approve the sale, attorneys general and the Federal Trade Commission could stop it. Barnes & Noble attorney Paul Zumbro said, "I think they would say that they approve. Our client is a strong corporation. We were the winning bidder. We think we represent the best purchaser for the estate." Venting his frustration at the possibility of the sale falling through, Borders attorney Andrew Glenn said, "I think we're to some extent dancing on a pin."

Judge Glenn made several suggestions to insure customer privacy, including an e-mail blast from Borders enabling consumers to opt out. Andrew Glenn agreed that Borders could do that. From a commercial standpoint, Zumbro said that Barnes & Noble would prefer to send out the blast. During a recess some progress on how privacy laws affect the IP sale was made. The judge added a hearing to try to resolve the issue on Monday afternoon at 4 p.m., but has no other time on his calendar before next Friday's deadline.

Unlike the IP sale, the second round lease auction for large-format stores was quickly dispatched. Like the first auction for small format stores, there were very few participants. Only ten leases were affected, seven for termination and the other three for assumption by the landlord's affiliate; a designee of the landlord, which in Annapolis was Forever 21 Retail; and one third party. And only the Borders store in San Juan, Puerto Rico, received more than one bid. It will net the estate \$425,000. Among the stores seeking termination agreements were ones in Boston; Orland Park, Ill; Warrington, Pa.; Eugene, Ore.; Lee's Summit, Mo.; and Peoria, Ill.

COMMERCIAL PRINTING INDUSTRY NEWS

US Commercial printing profits rise for seven quarters, and other comments

(*WhatTheyThink.com* – 9/21/2011)

Original Link: <http://blogs.whattheythink.com/economics/2011/09/us-commercial-printing-profits-rise-for-seven-quarters/>

US commercial printing industry inflation-adjusted profits have risen for seven consecutive quarters, to \$3.6 billion. This is the total profits for the period Q3-2010 to Q2-2011. The prior four-quarter period was \$3.55 billion.

In reviewing the data, subject always to revision by the Commerce Department, it appears that profit rates are increasing slightly faster than the rate that print volumes are decreasing, and profit rates are increasing at a slightly faster rate than print prices are increasing. We know that prices are not keeping up with inflation, but it appears that the exit of weak print businesses, and stern cost controls and cost reductions are improving the lot of the surviving printers. There are still challenges ahead, as all of us are well aware.

That said, we must keep the following in mind:

- We are still lower than the previous profit levels of 2005, when the industry showed \$3.77 billion of profits;
- We are much lower than the profits of the late 1990s, when in the Q2-1999 to Q1-2000 period, the industry recorded \$15.85 billion in profits.

The report of Q3 profits will be released in December.

MAGAZINE INDUSTRY NEWS

Garden & Gun publishes its largest issue ever

(MPA – 9/21/2011)

Original Link: <http://bit.ly/oah4nf>

CHARLESTON, SC (September 20, 2011)—Barbara Bing, Publisher of Garden & Gun Magazine, announced today that the October/November issue, which will be on sale September 27, is the largest in the magazine's history. The magazine, which won the National Magazine Award for General Excellence in the Food, Travel and Design category this Spring is experiencing tremendous growth across the board from ad pages to circulation to a significant rise in web traffic (unique visits have nearly tripled from 2010). Advertising revenue for the October/November 2011 issue is up 198% vs. the October/November 2010 issue and ad pages up 160%.

"This has been a pivotal year for the magazine and the brand overall. We have always had a passionate and engaged readership but now gaining the attention of the advertising community as well," says Bing. Brand leaders joining the advertising mix for Garden & Gun range from luxury and automotive to home and travel.

Tapping into the nationwide obsession with Southern cuisine, Garden & Gun dedicated every page of the October/November issue to food—from a compilation of the South's 50 best dishes to Rick Bragg on Po'Boys to the Jonathan Miles on the merits of wild game to the Lee Brothers on soul food.

"Food and the great stories connected to it are a pillar of Garden & Gun's content and a favorite of our readership," says Editor in Chief, David DiBenedetto. "I'm betting this is an issue that most won't want to let go of."

Smithsonian and Family Circle bumping rate bases in 2012

(Folio– 9/19/2011)

Original Link: <http://www.foliomag.com/2011/smithsonian-and-family-circle-bumping-rate-bases-2012>

Smithsonian magazine and Meredith's *Family Circle* are adding to a small flurry of publishers that have recently expanded their rate base guarantees. The 11-times per year *Smithsonian* will be adding another 100,000 copies to its circulation starting with the January 2012 issue—a 5 percent jump. *Family Circle* is adding another 200,000 copies starting with the same issue, growing from 3.8 million to 4 million.

Family Circle will simultaneously cut its frequency from 15 issues per year to 12, "to bring it in line with the industry and competitive set," says a statement from the publisher. Extra issues are published in April, October and November.

The magazine's rate base jump comes close to restoring its circulation to pre-2006 levels. In January, 2006, the magazine dropped rate base from 4.2 million to 3.8 million.

Smithsonian's circulation, counted as association, non-deductible, reported an average total paid and verified circulation of 2.08 million copies for the first half of 2011, according to its June ABC statement—delivering a 3.8 percent bonus for the period. In its December 2010 statement, the magazine reported a 2.2 percent bonus.

Family Circle's circulation has been pretty tight in terms of delivering over its 3.8 million rate base. In its June 2011 ABC report, the magazine was just 16,958 issues above rate base—a .4 percent bonus. Paid subscriptions have been on the rise, however, as the average annualized subscription price has gone from

\$10.80 five years ago to \$9.30 now. Paid subs for the first half of 2011 were 3,151,568—82.5 percent of total circ. In 2006, paid subs were 3,107,239.

Meanwhile, *Family Circle's* newsstand sales, as with many publishers, have been challenged. According to ABC numbers, single copy sales are down 16.2 percent when compared to its December 2010 report—627,209 copies versus 525,358.

The two magazines join other rate base jumpers, most recently including Meredith's hispanic titles and Hearst's *Food Network Magazine*.

MULTI CHANNEL NEWS

Augmented reality proves powerful sales tool

(*Printing Impressions* – 09/20/2011)

Original Link: <http://www.piworld.com/aggregatedcontent/augmented-reality-proves-powerful-sales-tool-display-advertising>

Research finds computer-generated promotional marketing technology can improve shopper conversion rates

Customers are more likely to buy a product after engaging with an augmented reality (AR) experience and will do so at a higher price point, according to recently released research.

The research, by marketing communications consultancy Hidden, set out to prove the effectiveness of augmented reality versus traditional sales and marketing collateral.

The findings are explained in detail in Hidden Creative's new guide, "Sales technology: selling with augmented reality," which is available to download from the company's website.

Practical consumer experiment

The research aimed to recreate the famous Pepsi challenge, but this time by comparing traditional marketing materials and display advertising versus augmented reality. One hundred parents were shown a marketing communications and a display advert for a child's toy, while another 100 parents were shown the child's toy as an interactive augmented reality experience.

Each person was then asked if they would consider buying this toy for a child and how much they would consider paying for the toy.

Matt Trubow, Hidden chief executive, said: "It's interesting but not unexpected that the study results clearly indicate people were more engaged with the augmented reality experience than the display advert. More importantly, however, the audience was so engaged that they were willing to spend more to obtain the item after viewing the AR experience. More importantly, however, the audience was so engaged that they were willing to spend more to obtain the item after viewing the AR experience."

Maintaining focus on outcomes

"This data should prove useful for the remaining sales and marketing professionals that are still unsure how to measure the impact of the technology. For me, the measurements are easily identified and are focused primarily on core business outcomes such as the increased production of leads and sales conversions."

"Our research helps to prove that the most useful information is obtained through the tactile nature of the augmentation. This information, what we like to call 'mass intelligence', is a by-product of the user's interaction with the experience and can reveal client trends that would require mind-reading powers to obtain from the client in the past.

"The 'mass intelligence' revealed could relate to a particular aspect or feature of a product. This information is not always forthcoming during a demonstration but is of vital importance to ensure you are appealing to the needs of the client precisely. There are distinct advantages to placing your product in the hands of the end user, something not always possible outside of a retail environment."

'WSJ Social' lets users surf the news without leaving Facebook (*Printing Impressions* – 09/20/2011)

Original Link: <http://www.adweek.com/news/technology/wsj-social-lets-users-surf-news-without-leaving-facebook-134977>

This Thursday, The Wall Street Journal is launching WSJ Social, a new app that filters content from the newspaper through the "social graph"—and exists entirely within Facebook.

Why, you ask? According to Forbes' Jeff Bercovici, it's because news outlets like the WSJ, while attempting to piggyback off of the traffic created by social networks like Facebook, also have to face the fact that the more time consumers spend on those networks, the less time they have left over for other sites—like the news outlets themselves.

"The fundamental idea of it is super simple," Alisa Bowen, general manager of the WSJ Digital Network, told Bercovici. "It's about making [WSJ content] available where people are." Which, of course, is on Facebook.

WSJ Social lets users choose which streams they want to follow—either the paper's official streams or other user-created ones—which determines which stories they'll see. "It's really about the users being elevated to editors," Maya Baratz, the WSJ's head of new products, said.

The app also offers a chance for competition, allowing the most-followed users to compare their rankings and even offering them prizes like their very own WSJ-style stipple portrait, says Bercovici.

The WSJ is planning to keep all revenue from ads that appear within boundaries of the app, while Facebook will sell the all ads outside of it. Content that's behind a paywall on WSJ.com is still only available to subscribers within the app, but thanks to a one-month sponsorship from Dell, the entire site will (temporarily, at least) be free for all.

POSTAL SERVICE NEWS

The UPS Store and USPS team up to promote direct mail use by retailers

(Printing Impressions – 09/22/2011)

Original Link: <http://www.piworld.com/article/the-ups-store-postal-service-team-up-promote-direct-mail-retailers/1>

SAN DIEGO—Sept. 22, 2011—The UPS Store and the U.S. Postal Service (USPS) are working together to provide small businesses with a new, cost-effective direct mail program.

By identifying geographic areas by city, neighborhood or a specified distance from their businesses, the USPS' Every Door Direct Mail-Retail (EDDM Retail or EDDM-R) service allows small businesses to advertise to every delivery address in their target markets without the need for a mailing list.

"When it comes to marketing, it is important for small businesses to make it local," said Stuart Mathis, president of Mail Boxes Etc., franchisor of The UPS Store. "By working with the U.S. Postal Service, The UPS Store franchise network now provides one convenient destination for the small business community to effectively and efficiently communicate with their target audiences."

The EDDM-R program allows small business customers to work with their local The UPS Store center to print and distribute high-quality direct marketing pieces to every address in a designated neighborhood.

"With the assistance of their local The UPS Store center, the customer does not have to worry about the process," said Tom Bellino, co-owner of multiple The UPS Store franchises in Chicago, who recently completed a 20,000 direct mail piece for Simon's Shine Shop. "We offer standard sizes, handle the bundling, completion of the documentation and coordination with the local post office."

And to make print marketing even easier, through Oct. 10, small business owners can maximize their message with "3 FOR ALL," a The UPS Store promotion giving customers 30 percent off the purchase of three eligible products, including printing on direct mail postcards.

RETAIL INDUSTRY NEWS

Retail CFOs expect 3% increase in total 2011 sales

(Retailing Today – 8/23/2011)

Original Link: <http://www.retailingtoday.com/article/retail-cfos-expect-3-increase-total-2011-sales>

CHICAGO — Amid economic uncertainty and low consumer confidence levels, retail CFOs are expecting a 3% increase in total 2011 sales, according to a recent survey by BDO USA, LLP. While the number reflects the study's most optimistic sales forecast since 2007, it is down from the 4.7% sales increase reported by the Commerce Department in 2010.

The vast majority of CFOs surveyed in the fifth-annual BDO Retail Compass Survey of CFOs expect to see a continuation of stagnant economic conditions. Just 11% expect to see an economic turnaround in the next year, up slightly from 2010 (9%). Thirty-eight percent of CFOs say improved consumer confidence will be most important factor for economic recovery, and another 36% cite lower unemployment as the linchpin.

“Retailers may not anticipate a full recovery in the near future, but we’re not seeing gloom and doom in sales expectations,” said Doug Hart, partner in the retail and consumer product practice at BDO USA. “Despite low confidence levels, macroeconomic conditions are not weighing on the consumer’s wallet as much as expected, and CFOs anticipate moderate spending levels to continue through the holiday season.”

In other survey findings:

- Retailers are moderately optimistic for sales in the second half of 2011. A majority (51%) expect sales to increase during this period, up from 44% in 2010. Overall, retailers project a 3.5% increase in comparable-store sales for the second half of 2011. For all of 2011, retail CFOs forecast a 2.3% increase in comparable-store sales.
- The appetite for M&A deals is on the rise. Nearly all (96%) of retail CFOs expect such activity to increase or remain steady in the next year. Most CFOs (66%) expect M&A activity to take place primarily in the United States, followed by the Asia-Pacific region (18%) and Europe (16%). However, the CFOs in the Top 100 largest retailers who were included in the sample have greater expectations for the international market. Seventy-five percent of CFOs in the Top 100 expect Europe to see the majority of M&A activity.
- Although private equity deals have dominated acquisition activity, CFOs are predicting an increase in strategic buyouts this year. The CFOs are split on whether upcoming M&A activity will be primarily driven by strategic buyers (52%) or financial buyers (48%). On average, CFOs say they would expect to see an EBITDA (earnings before income and tax, depreciation and amortization) multiple of 6.5 for an acquisition in the retail and consumer product space.

The BDO survey examined the opinions of 100 CFOs at leading retailers located throughout the country. The retailers were among the largest in the country, including 10% of the Top 100 based on annual sales revenue. The survey was conducted in August and September 2011.